



CITY OF MCMINNVILLE, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 201



CITY OF MCMINNVILLE, OREGON

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED JUNE 30, 2016

Prepared by:

Finance Department

Marcia T. Baragary, CPA
Finance Director

Debbie Smith-Wagar, CPA

Robert G. Moody, CPA

City of McMinnville, Oregon
Comprehensive Annual Financial Report
Year Ended June 30, 2016

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INTRODUCTORY SECTION

- Letter of Transmittal
- GFOA Certificate of Achievement
- Elected Officials and Principal Appointed Officers
- Organizational Chart





230 NE Second Street McMinnville, Oregon 97128 www.ci.mcminnville.or.us

January 30, 2017

Mayor Scott Hill
City Councilors
Citizens of the City of McMinnville

City management is pleased to submit the City of McMinnville's *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2016. The *Comprehensive Annual Financial Report (CAFR)* presents the financial position of the City of McMinnville (City) as of June 30, 2016 and the results of City operations and proprietary fund cash flows for the year then ended. The City's financial statements and schedules were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The City's statements and schedules were audited by Merina and Company, LLP in accordance with auditing standards generally accepted in the United States of America. Merina and Company, LLP concluded the basic financial statements are free of material misstatement and issued an unmodified opinion which is presented in the second section of this report. Financial accuracy, completeness, and fairness of presentations in the *CAFR* are the responsibility of City of McMinnville's management. City management has established a comprehensive framework of internal controls to provide a reasonable basis for asserting that the financial statements are fairly presented. Since the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. City management asserts the *CAFR* is complete and reliable in all material respects.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A is located immediately following the report of the independent auditors.

Profile of the Government:

City of McMinnville: The city is located in the agriculturally rich Willamette Valley 40 miles southwest of Portland, the largest metropolitan area in Oregon. McMinnville is the county seat of Yamhill County, the eighteenth largest city in Oregon, and the economic hub of the region.

The City is a municipal government, incorporated as a town in 1876 and as a city in 1882, operating under a council-manager form of government. The elected officials are a Mayor and six City Council members. The City provides a full range of services, including police and fire protection; ambulance services; municipal court; wastewater treatment, system construction and maintenance; street construction and maintenance; engineering and planning services; building inspection services; parks, recreational and cultural activities; and a municipal airport.

Transmittal Letter
Year Ended June 30, 2016

McMinnville Water and Light Department: In addition to the City's primary services the City has one discretely presented component unit, the McMinnville Water and Light Department (Department) that is governed by a Mayor appointed and City Council confirmed Water and Light Commission. The Department provides water and electrical services to McMinnville residents. Additional information on the Department is located in the notes to the financial statements, Note I. B.3.

Local Economy:

As the regional seat of government and the largest of Yamhill County's municipalities, McMinnville has a diverse economic base that blends all of the County's commercial sectors. Smaller companies with less than 50 employees make up 95 percent of all jobs, although a number of larger companies are also based in McMinnville. Primary industries are health care and social services, retail, education, and manufacturing. McMinnville is home to more than 75 manufacturers, producing a wide variety of goods. Products include steel rebar, health food products, plastic and rubber products, fabricated metal products, chemicals and nonmetallic mineral products, unmanned aerial vehicles, software and computer products, and many other types of goods.

Employment: According to Oregon Employment Department estimates, the largest share of employment in McMinnville is concentrated in two industries; the trade, transportation, and utilities sector; and the private education and health services sector. These two sectors are followed by manufacturing and local government. Over the past decade, many industries in McMinnville have shown increases in employment, especially in health services and private education. McMinnville's principal employers are listed in the Statistical Section at the end of this report.

In the past year, unemployment rates for Yamhill County have slowly but steadily trended downward, similar to the rest of the State. Unemployment rates (not seasonally adjusted) for Yamhill County were 5.1 percent in June 2016 compared to 5.4 percent in June 2015. For comparison, the unemployment rate for the state of Oregon in June 2016 was 4.8 percent.

According to a report recently released by the Oregon Office of Economic Analysis (OEA), Oregon continues to outpace the nation in job growth, although job growth in Oregon has decelerated somewhat from the "full-throttle" growth seen in the last several years. Unemployment has returned to a "normal" level as the state economy approached and reached full employment. As a result, the rate of job growth is expected to slow somewhat in the near future.

Tourism: McMinnville is located in the heart of Oregon wine country, where an ideal combination of soil types and a mild climate enable area winemakers to produce consistently world-class wines. More than 40 wineries and 200 vineyards are showcased in the McMinnville area. The strength of the wine industry in McMinnville and surrounding area has been a significant factor in growth of the local economy. The transient lodging tax implemented in 2014 provides funding for tourism promotion and marketing of McMinnville as a premiere destination for wine and culinary tourism.

Population Growth: Over the last ten years, McMinnville's population has grown by five percent per year. Both new employers and residents are attracted to McMinnville because of its "livability" and its close proximity to the Portland metropolitan area, Salem (the state capital), the Cascade mountain range, and the Oregon coast. Other factors contributing to the livability are the vitality of McMinnville's Historic Downtown District, Linfield College, and excellence of medical and City services. For comparison, during the same ten year period, Yamhill County's population grew 13 percent, while the State of Oregon's population grew by nine percent total for the ten year period.

Transmittal Letter
Year Ended June 30, 2016

Population Estimates

<u>Year</u>	<u>McMinnville</u>		<u>Yamhill County</u>		<u>State of Oregon</u>	
	<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>	<u>Population</u>	<u>Percent Change</u>
2007	31,665	2.3%	93,085	1.5%	3,745,455	1.5%
2012	32,435	0.5	100,550	0.7	3,883,740	0.7
2013	32,510	0.2	101,400	0.8	3,919,020	0.9
2014	32,705	0.6	102,252	1.1	3,962,565	1.1
2015	33,080	1.1	103,630	1.1	4,013,845	1.3
2016	33,405	1.1	104,990	1.1	4,076,350	1.3

Source: US Census Bureau, Portland State University Population Research Center certified yearly estimates.

According to a recent projection by Portland State University, McMinnville’s population is projected to reach 42,300 by 2025, an increase of 27 percent from its 2016 population estimate of 33,405. Yamhill County and State of Oregon populations are projected to increase by 18 percent and 14 percent, respectively, compared to the 2016 population estimate.

Residential, Commercial, and Industrial Development: Residential building permit numbers remain consistent with 2015 and 2014. In 2016, the value of new residential construction permits totaled \$29.9 million, compared to \$30.8 million and \$21.6 million in 2015 and 2014, respectively. For commercial, public sector, and industrial development, 2016 permit values decreased to \$8.3 million compared to \$27.8 million and \$12.2 million in 2015 and 2014, respectively. Building levels and planning applications have been negatively impacted by a limited buildable land supply. The City will continue to pursue options for resolving this issue.

Bankruptcy proceedings on the holdings of the Evergreen Aviation and Space Museum and Wings & Waves Waterpark have been completed. All assets have been purchased and are being repositioned into new ownership and management. The Evergreen Aviation and Space Museum and Wings & Waves Waterpark continue to draw an estimated 150,000 visitors to McMinnville annually. The developer who purchased the Evergreen Space Museum and Wings & Waves Waterpark is currently moving forward with plans to develop a new hotel on the Evergreen campus, as well as developing a master plan for the rest of the campus that continues the vision of a world class event center in McMinnville.

Property Values: Maximum assessed values and real market values are factors that are useful in measuring the economic health of a community. As illustrated in the table below, the maximum assessed value for McMinnville grew by 46 percent over the last ten years. Maximum assessed value increases were primarily related to new construction and major commercial building improvements. From 2007 to 2016, real market value for McMinnville increased by 10 percent. Yamhill County’s real market value grew by 13 percent in the last ten years.

Although the City’s real market value declined from 2010 through 2014, real market value increased by 4.1 percent in 2015 and 9.0 percent in 2016. Maximum assessed value as a percentage of real market value was 78 percent for 2016 compared to 80 percent for 2015.

**Transmittal Letter
Year Ended June 30, 2016**

**Property Values --- Maximum Assessed Value and Real Market Value
(\$s in thousands)**

<u>Fiscal Year End</u>	<u>McMinnville</u>			<u>Yamhill County</u>		
	<u>Maximum Assessed Value</u>	<u>Percent Change</u>	<u>Real Market Value</u>	<u>Percent Change</u>	<u>Real Market Value</u>	<u>Percent Change</u>
2007	\$ 1,675,907	6.7%	\$ 2,822,851	27.4%	\$ 9,135,140	26.6%
2012	2,140,278	1.6	2,806,089	(12.1)	9,189,327	(10.0)
2013	2,199,145	2.7	2,767,634	(1.4)	8,911,056	(3.0)
2014	2,233,167	1.5	2,748,715	(0.7)	9,156,128	2.8
2015	2,298,038	2.8	2,861,726	4.1	9,699,390	5.6
2016	2,441,078	2.9	3,119,905	9.0	10,303,700	5.9

Source: Yamhill County Assessor's Office

Property Tax Rates: Since fiscal year 2001, the City has levied its entire permanent property tax rate of \$5.02 per \$1,000 of assessed value for operations, as provided for in the 1996 Oregon tax limitation measure. Oregon law allows the City to levy property taxes for payment on debt that has been approved by the voters. Generally, the City's debt service levy remained relatively consistent until 2016, when the debt service levy was increased to make principal and interest payments on the general obligation bonds issued in 2015.

**Property Tax Rates
(per thousand of assessed valuation)**

<u>Fiscal Year Ended</u>	<u>City of McMinnville - Only</u>				<u>McMinnville Tax Code #40</u>
	<u>Operating Levy</u>	<u>Debt Service Levy</u>	<u>Urban Renewal</u>	<u>Total Property Tax Levy</u>	<u>Consolidated Property Tax Rate</u>
2007	\$ 5.02	\$ 0.91	-	\$ 5.93	\$ 15.43
2012	5.02	0.68	-	5.70	16.59
2013	5.02	0.63	-	5.65	16.56
2014	5.02	0.70	-	5.72	16.49
2015	5.02	0.68	0.04	5.70	16.58
2016	5.02	1.08	0.05	6.10	17.01

Source: Yamhill County Assessor's Office

Fiscal Policy and Financial Planning:

To facilitate long-term planning, City management uses a three year financial forecast model. Forecasting enables policymakers to take action in a timely manner, to mitigate future financial problems, and to allow planning for expansion when economic conditions improve. The City's fiscal policy is to budget for the upcoming fiscal year, while taking into consideration factors that will impact subsequent years' budgets. This policy has enabled the City to successfully navigate through the recent recession, providing adequate levels of services to its citizens while maintaining a healthy General Fund cash reserve.

Transmittal Letter
Year Ended June 30, 2016

For fiscal year 2016, the City's General Fund ending fund balance is approximately 36 percent of total General Fund expenditures, including transfers out to other funds. This is significantly more than the minimum General Fund reserve targeted in the fund balance policy adopted by the City Council. This policy recommends that 25 percent of annual budgeted expenditures should be maintained as a cash reserve. Additional information on the City's fund balance policy is included in the notes to the financial statements, Note I.F.14.

Although the rate of increase in assessed property values has not returned to historically high pre-2009 levels, assessed values continue to trend upward. 2016 assessed values increased by approximately three percent compared to the prior year and the Yamhill County Assessor's Office has indicated that the increase in assessed values for 2017 is four percent. For comparison purposes, a one percent increase in assessed values results in approximately \$100,000 in additional property tax revenue. The upward trend in assessed values is critical because property tax revenue is approximately 60 percent of all General Fund revenues. Options for maximizing other existing revenue sources or identifying new revenue sources will be pursued as part of the City's long-term financial planning efforts.

Major Initiatives:

In 2013, City Council adopted an ordinance creating the McMinnville Urban Renewal Agency. The purpose of the Agency is to promote the development and redevelopment of the downtown core and the Northeast Gateway Area. These areas are vital to fulfilling the goals of the McMinnville Comprehensive Plan. The Urban Renewal Agency facilitates financing of projects within the urban renewal area. The Urban Renewal Agency collected \$0.1 million in incremental property taxes in fiscal year 2016.

In January 2014, the City began collecting an eight percent tax on transient lodging rentals, generally defined as hotels, motels, bed and breakfast establishments, and vacation rentals. In July 2015, Visit McMinnville, a non-profit destination marketing organization (DMO) was created to promote McMinnville as a year-round visitor, convention, and event destination. City transient lodging tax will fund the organization. Total annual tax revenue for fiscal year 2016 was \$0.6 million.

During fiscal year 2016, the City invested nearly \$3.8 million to complete the first phase of a major expansion of the Water Reclamation Facility. The expansion will greatly increase capacity of the wastewater collection system and Water Reclamation Facility and will enable the City to meet the needs of increased community growth and the ever-changing regulatory requirements. The City also completed over \$1.9 million in projects related to reducing inflow and infiltration. These projects are a vital component in controlling wastewater system overflows and reducing demands on the Water Reclamation Facility.

In November 2014, the voters of McMinnville approved issuance of \$24 million in general obligation for construction, expansion, and improvement of City streets and sidewalks. In April 2015, the City issued \$16 million in general obligation bonds to fund these projects. The remaining \$8 million in bonds will be issued in the next two to three years to complete the planned projects.

Certificate of Achievement:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of McMinnville for its *Comprehensive Annual Financial Report (CAFR)* for the fiscal year ended June 30, 2015. The City has received this recognition for 27 consecutive years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized *CAFR* and must satisfy both generally accepted accounting principles and applicable legal requirements. This award is the highest form of recognition for excellence in state and local government financial reporting.

A Certificate of Achievement is valid for a period of one year only. We believe our current *CAFR* continues to meet these standards and will be submitted to GFOA to determine eligibility for another certificate.

**Transmittal Letter
Year Ended June 30, 2016**

Acknowledgements:

The preparation of the *Comprehensive Annual Financial Report (CAFR)* is the final step in the completion of a successful year for the City's Finance Department. We would like to thank the City's accounting staff for their day-to-day dedication to professional accounting standards and to producing accurate accounting records, which are the basis for the financial statements included in the City's *CAFR*.

Special recognition is extended to Ms. Debbie Smith-Wagar, CPA and Mr. Robert Moody, CPA, who were instrumental in preparation of the *CAFR*.

Furthermore, we would like to acknowledge the efforts of all City department personnel who conscientiously adhere to internal controls throughout the year, helping to ensure accuracy and compliance with accounting policies. Department personnel also provide important statistical information, making the *CAFR* a meaningful presentation of the City's financial statements.

Special appreciation is also extended to the City of McMinnville Mayor, City Councilors, and Budget Committee for their support and for their continuing effort to conduct the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Candace A. Haines
Interim City Manager



Marcia T. Baragary, CPA
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of McMinnville
Oregon**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

CITY OF McMinnville, Oregon

**ELECTED OFFICIALS
AND
PRINCIPAL APPOINTED OFFICERS OF THE CITY**

JUNE 30, 2016

CITY COUNCIL

TERM EXPIRES

Rick Olson 1324 SW Louise Drive McMinnville Oregon 97128	Mayor	December 31, 2016
Scott Hill 1525 Gilson Court McMinnville Oregon 97128	Ward I	December 31, 2016
Kevin Jeffries 2355 SW Peggy Street McMinnville Oregon 97128	Ward I	December 31, 2018
Kellie Menke 678 NW Wintergreen McMinnville Oregon 97128	Ward II	December 31, 2016
Alan Ruden 1688 NW Emerson Drive McMinnville Oregon 97128	Ward II	December 31, 2018
Larry Yoder 565 Haven Lane McMinnville Oregon 97128	Ward III Council President	December 31, 2016
Remy Drabkin 1400 NE 17 th Street McMinnville Oregon 97128	Ward III	December 31, 2018

CITY ADMINISTRATION

Martha A. Meeker

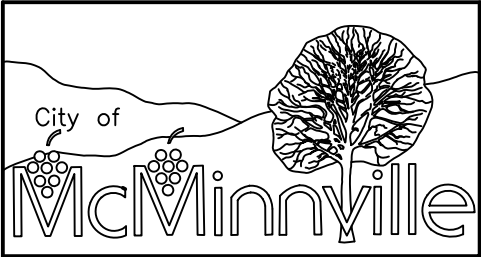
City Manager

David R. Koch

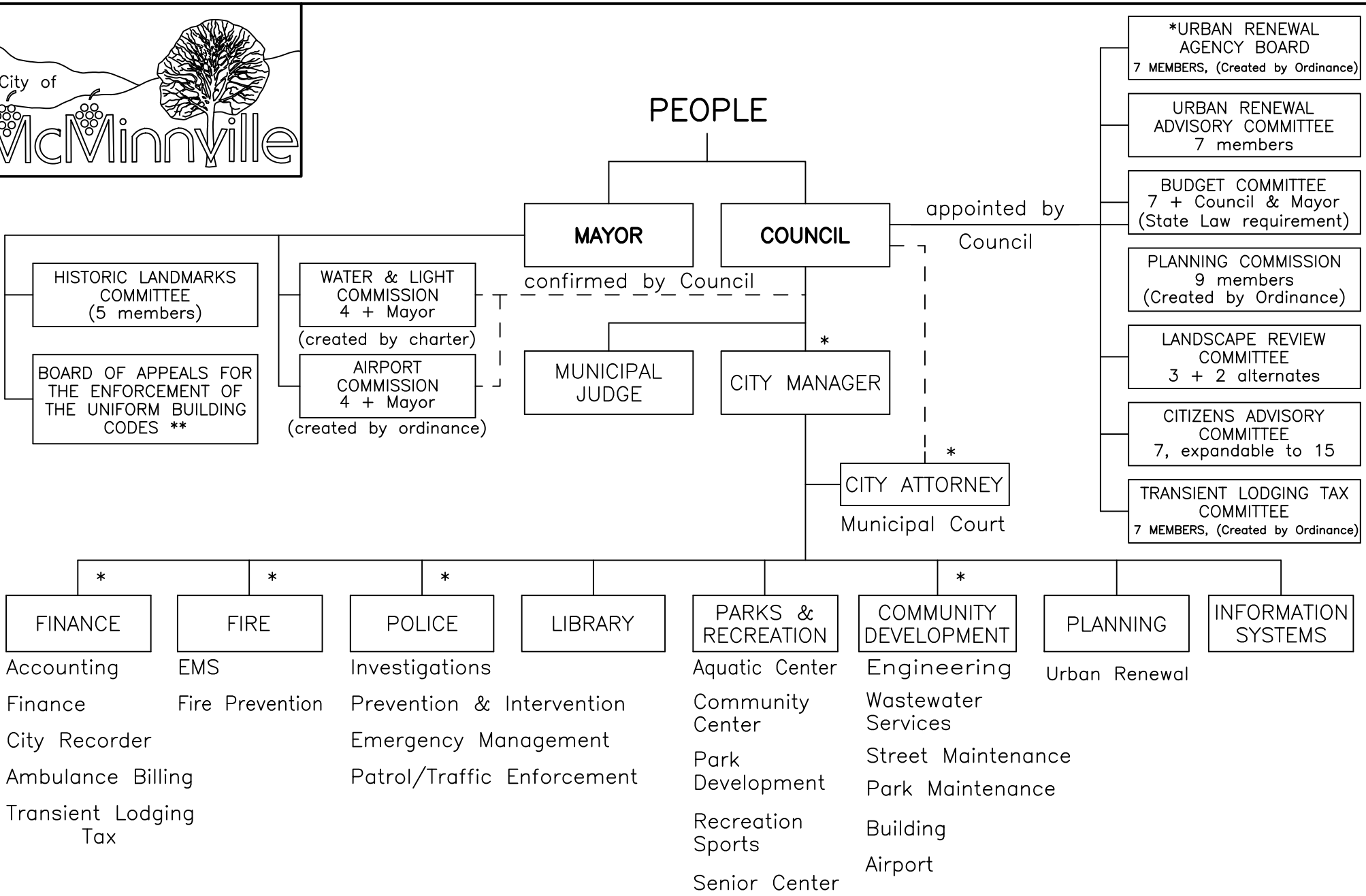
City Attorney

Marcia T. Baragary, CPA

Finance Director



PEOPLE



* Officers listed in Charter and appointed by Council upon recommendation by City Manager.
 Council serves as own Contract Review Board.
 Council serves as Library Board to meet any State Law requirements.
 Council serves as McMinnville Urban Renewal Agency Board.

** Includes the BOARD OF APPEALS FOR THE ENFORCEMENT OF THE UNIFORM BUILDING CODE FOR THE ABATEMENT OF DANGEROUS BUILDINGS.



FINANCIAL SECTION

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements including Notes to Basic Financial Statements
- Required Supplementary Information



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of McMinnville, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of McMinnville, Oregon, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of McMinnville, Oregon's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the McMinnville Water & Light (the Department), a discretely presented component unit of the City. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Department, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of McMinnville, Oregon, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison statements for the General and Airport Maintenance Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note IV.J and IV.K to the financial statements, the City of McMinnville, Oregon adopted new accounting guidance, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB No 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to management's discussion and analysis, the post-employment healthcare plan schedule of funding progress, schedule of the proportionate share of the net pension liability, and schedule of contributions, as listed in the table of contents under

required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of McMinnville, Oregon's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

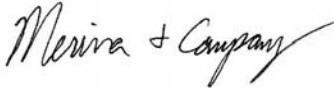
Reports on Other Legal and Regulatory Requirements

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2017 on our consideration of the City of McMinnville, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is issued separately and is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of McMinnville, Oregon's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 30, 2017, on our consideration of the City of McMinnville, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP
West Linn, Oregon
January 30, 2017

City of McMinnville, Oregon Management's Discussion and Analysis

The "Management's Discussion and Analysis" (MD&A) section of the City of McMinnville's (City) *Comprehensive Annual Financial Report* presents a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements, the accompanying notes to those financial statements, and the City's "Letter of Transmittal" contained in this *Comprehensive Annual Financial Report (CAFR)*. In an effort to make the MD&A more readable, all amounts have been rounded to the nearest million or in some cases the nearest thousand.

Financial Highlights

- The City's assets and deferred outflows of resources totaled \$193.2 million at June 30, 2016, consisting of \$133.1 million in capital assets, \$32.5 million in unrestricted cash and investments, \$19.1 million in restricted cash and investments, and \$8.5 million in other assets and deferred outflows of resources. Total assets and deferred outflows of resources decreased by \$1.3 million from the previous fiscal year.
- The City's liabilities and deferred inflows of resources totaled \$57.5 million at June 30, 2016 consisting of \$50.3 million in long-term liabilities and \$4.7 million in accounts payable and other liabilities, and \$2.5 million in deferred inflows related to pensions.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$135.7 million at the close of fiscal year 2016. Unrestricted net position totaled (\$6.0) million. The City's net position invested in capital assets net of related debt totaled \$118.4 million and net position restricted for capital projects, building operations, and debt service totaled \$23.3 million.
- For its governmental activities, the City generated \$5.1 million in charges for services and received \$5.1 million in operating and capital grants and contributions. Direct expenses, including interest on long-term debt for governmental activities were \$36.2 million for the year. \$19.4 million of general revenues received and \$1.3 million in transfers out resulted in a decrease in net position of \$7.8 million.
- For its business-type activities, the City generated \$12.9 million in charges for services and capital grants and contributions to fund direct expenses of \$0.7 million. In addition, \$1.3 million in transfers in resulted in a change in net position of \$1.7 million.
- The City's proprietary funds, including related internal service funds activities, report a total net position balance of \$75.0 million, an increase of \$1.5 million over the prior year.
- Fund balance in the City's governmental funds was \$31.3 million at June 30, 2016, a decrease of \$0.3 million from June 30, 2015. Approximately \$6.6 million is available for spending at the City's discretion (*unassigned fund balance*). Additional information regarding governmental funds ending fund balances is included in the Fund Financial Analysis section of Management's Discussion and Analysis.

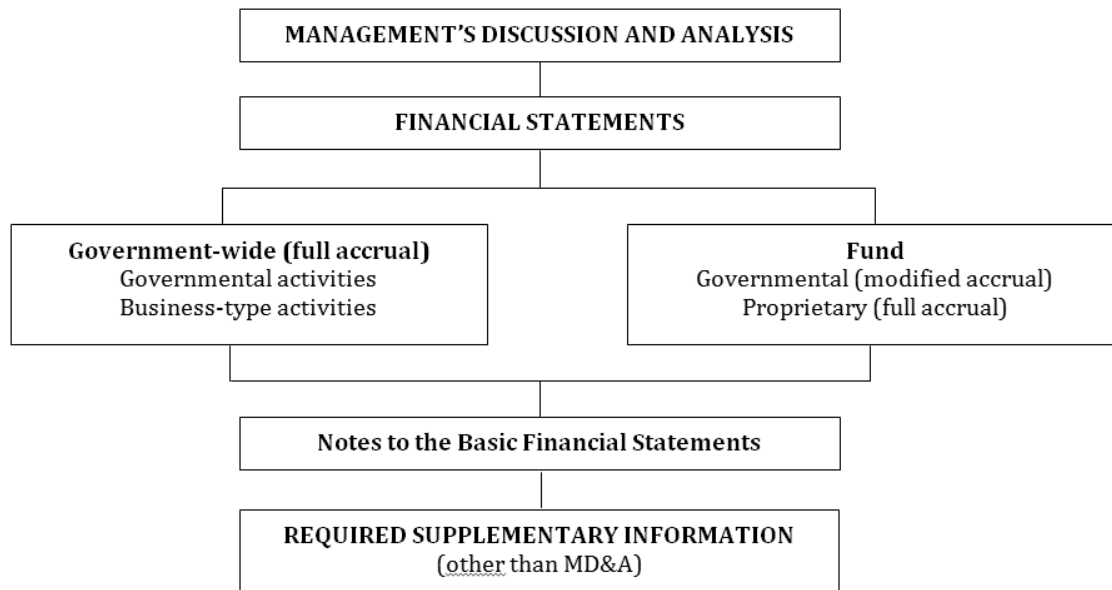
Overview of the Financial Statements

In addition to this discussion and analysis, the financial section of this annual report contains the *basic financial statements, required supplementary information, and other supplementary information*, including the *combining statements and schedules* of the non-major funds.

The basic financial statements also include *notes* that explain the information in the financial statements and provide additional details. The following chart illustrates how the various sections of this annual report are arranged relative to one another.

City of McMinnville - Management's Discussion and Analysis

Chart 1 - Required Elements of the Comprehensive Annual Financial Report



Government-wide financial statements: The government-wide financial statements are prepared using the full accrual method of accounting similar to private-sector accounting. Both the Statement of Net Position and the Statement of Activities distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

- These government-wide financial statements include three reporting units; i.e., governmental activities and business-type activities that are combined for the primary government total, including the McMinnville Urban Renewal District, and the discretely presented component unit, McMinnville Water & Light Department (Department).
- Governmental activities of the City are general government, public safety, community development, culture and recreation, airport, and highways and streets. Property taxes, charges for services, and operating and capital grants and contributions fund most of these activities.
- Business-type activities of the City are Wastewater, Ambulance, and Building. The City charges fees to customers to recover the majority of the costs of these services.
- **Statement of Net Position:** This statement includes all assets, liabilities, deferred outflows and deferred inflows of resources with the difference reported as net position. Evaluating increases or decreases in net position over time can serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- **Statement of Activities:** This statement presents information showing how the City's net position changed during the fiscal year. The statement reports governmental and business-type activities' function/program expenses and program revenues and indicates the amount that must be supplemented by general revenues. General revenues include property taxes, franchise fees, and unrestricted state shared revenues and investment earnings.

City of McMinnville - Management's Discussion and Analysis

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements focus on major governmental and proprietary funds separately. The City's major governmental funds are each presented separately and the remaining non-major funds are combined in a column titled "Total Non-Major Governmental Funds." Statements for the City's proprietary funds follow the governmental statements.

- **Governmental funds:** Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. This fund reporting method may be more useful in evaluating the City's short-term financial requirements and position.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains thirteen governmental funds, three of which are considered major funds. The General Fund and Transportation Fund are major funds; the Airport Maintenance Fund is also classified as a major fund due to public interest in airport operations. The remaining governmental funds, six special revenue, two debt service and two capital projects funds, are classified as non-major funds and are aggregated for reporting in the fund financial statements. Non-major governmental funds data is provided in combining and individual fund statements and schedules.

- **Proprietary funds:** The City maintains two types of proprietary funds, enterprise funds and internal service funds.
 - Enterprise funds are used to account for Wastewater Services, Ambulance services, and Building operations. Wastewater Services and Ambulance are major funds. Enterprise funds use the full accrual method of accounting, as do the government-wide financial statements; therefore, no separate reconciliation is necessary.
 - Internal service funds are used to accumulate and allocate costs internally among the operating funds. The City's internal service funds are Information Systems & Services and Insurance Services. These funds are included with the proprietary funds in the fund financial statements and with the governmental activities in the government-wide financial statements, since the funds served are primarily governmental activities.

City of McMinnville - Management's Discussion and Analysis

Government-Wide Financial Analysis

As previously noted, the City adopted Government Accounting Standard Board (GASB) 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27* during fiscal year 2015. GASB Statement 68 established accounting and financial reporting standards for employers, including reporting of the net pension asset or liability on the statement of net position, and deferred inflows and outflows of resources associated with investment, economic and demographic gains and losses associated with pension plans. GASB Statement 68 also provides guidance related to the calculation of pension expense.

Statement of Net Position:

The following table is a summary of the City's net position compared to the prior fiscal year.

Statement of Net Position June 30, 2016 and 2015 (Restated) (in millions)

	Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total City		Water and Light	
	(restated)		(restated)		(restated)		(restated)	
	2016	2015	2016	2015	2016	2015	2016	2015
Cash and investments	\$ 33.3	\$ 36.0	\$ 18.3	\$ 17.9	\$ 51.6	\$ 53.9	\$ 38.5	\$ 35.8
Other assets	2.9	5.9	2.2	3.1	5.1	9.0	9.8	11.3
Capital assets	75.0	73.9	58.1	55.2	133.1	129.1	123.1	121.4
Total assets	111.2	115.8	78.6	76.2	189.8	192.0	171.4	168.5
Deferred outflows of resources	2.6	2.0	0.8	0.6	3.4	2.6	1.1	0.8
Other liabilities	3.3	4.5	1.4	1.7	4.7	6.2	5.0	5.6
Non-current liabilities	46.2	36.1	4.1	1.3	50.3	37.4	7.0	2.9
Total liabilities	49.5	40.6	5.5	3.0	55.0	43.6	12.0	8.5
Deferred inflows of resources	1.9	6.0	0.6	2.1	2.5	8.1	0.9	2.9
Invested in capital assets	60.2	59.7	58.2	55.2	118.4	114.9	123.0	121.4
Restricted	22.9	23.2	0.4	0.4	23.3	23.6	-	-
Unrestricted	(20.7)	(11.6)	14.7	16.0	(6.0)	4.4	36.4	36.5
Total net position	\$ 62.4	\$ 71.3	\$ 73.3	\$ 71.6	\$ 135.7	\$ 142.9	\$ 159.4	\$ 157.9

As previously noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$135.7 million at the close of fiscal year 2016.

The largest portion of the City's net position, or \$118.4 million, is invested in capital assets. The City uses these capital assets to provide services to its citizens. Therefore, they do not represent resources available for future spending. Total restricted net position is \$23.3 million and represents amounts that are legally restricted for capital expansion, debt service, or other purposes. The total (\$6.0) million unrestricted net position is the net of a (\$20.7) million unrestricted net position in governmental activities and \$14.7 million unrestricted net position in business-type activities.

City of McMinnville - Management's Discussion and Analysis

For governmental activities, total net position decreased by \$8.9 million compared to fiscal year 2015. Restricted net position decreased by \$0.3 million and unrestricted net position decreased by \$9.1 million.

The major component of the decrease in restricted net position is related to spending down proceeds \$1.6 million of the general obligation bonds that were issued in 2015 for transportation projects. As proceeds are expended on capital projects, restricted net position will decrease and the amount invested in capital assets will increase. The decrease restricted net position was partially offset by increases in net position restricted for debt service and highways and streets.

The decrease in unrestricted net position is due to a significant increase in the City's net pension liability and corresponding increase in pension expense.

For business-type activities, total net position increased by \$1.7 million. The favorable change is primarily due to a significant increase in capital assets related to expansion of the Water Treatment Facility.

Department - Statement of Net Position: Total net position for the Department increased by \$1.5 million. Cash and investments increased by \$2.7 million primarily due to increased revenue from electricity sales. Capital assets increased by \$3.3 million due to improvements to both the water and electric utility plants.

City of McMinnville - Management's Discussion and Analysis

Statement of Activities:

The table on the following page is a summary of the City's governmental and business-type activities compared to the prior fiscal year. Beginning net position has been restated to reflect implementation of GASB Statement 68 and the inclusion of pension related debt.

Statement of Activities For the Years Ended June 30, 2016 and 2015 (Restated) (in millions)

	City of McMinnville - Primary Government						Component Unit	
	Governmental Activities		Business-Type Activities		Total City		Water and Light	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenues:								
Program revenues								
Charges for services	\$ 5.1	\$ 4.7	\$ 12.9	\$ 13.4	\$ 18.0	\$ 18.1	\$ 45.3	\$ 44.9
Operating grants & contributions	2.6	2.5	-	-	2.6	2.5	-	-
Capital grants & contributions	2.5	1.9	0.7	0.3	3.2	2.2	1.0	1.6
General revenues								
Property taxes	14.7	12.9	-	-	14.7	12.9	-	-
Franchise taxes	2.5	2.5	-	-	2.5	2.5	-	-
Other	2.2	1.5	0.2	0.1	2.4	1.6	2.9	4.3
Total revenues	29.6	26.0	13.8	13.8	43.4	39.8	49.2	50.8
Expenses:								
Governmental activities								
General government	7.4	2.1	-	-	7.4	2.1	-	-
Community development	1.3	0.9	-	-	1.3	0.9	-	-
Public safety								
Police	10.8	6.0	-	-	10.8	6.0	-	-
Fire	2.8	2.0	-	-	2.8	2.0	-	-
Emergency communications	0.8	1.1	-	-	0.8	1.1	-	-
Highways and streets	4.8	3.0	-	-	4.8	3.0	-	-
Culture and recreation								
Parks and recreation	5.1	3.8	-	-	5.1	3.8	-	-
Library	1.5	1.1	-	-	1.5	1.1	-	-
Airport	1.1	0.7	-	-	1.1	0.7	-	-
Interest on long-term debt	0.6	0.5	-	-	0.6	0.5	-	-
Business-type activities								
Wastewater	-	-	7.8	5.5	7.8	5.5	-	-
Ambulance	-	-	5.1	2.9	5.1	2.9	-	-
Building	-	-	0.5	0.2	0.5	0.2	-	-
Component unit	-	-	-	-	-	-	44.9	42.1
Total expenses	36.2	21.2	13.4	8.6	49.6	29.8	44.9	42.1
Change in net position								
before transfers	(6.6)	4.8	0.4	5.2	(6.2)	10.0	4.3	8.7
Transfers	(1.3)	(0.4)	1.3	0.4	-	-	-	-
Change in net position	(7.9)	4.4	1.7	5.6	(6.2)	10.0	4.3	8.7
Beginning net position as previously reported	71.3	66.9	71.6	66.0	142.9	132.9	157.9	151.9
Restatement	(1.0)	-	-	-	(1.0)	-	(2.7)	(2.7)
Beginning net position as restated	70.3	66.9	71.6	66.0	141.9	132.9	155.2	149.2
Ending net position	\$ 62.4	\$ 71.3	\$ 73.3	\$ 71.6	\$ 135.7	\$ 142.9	\$ 159.5	\$ 157.9

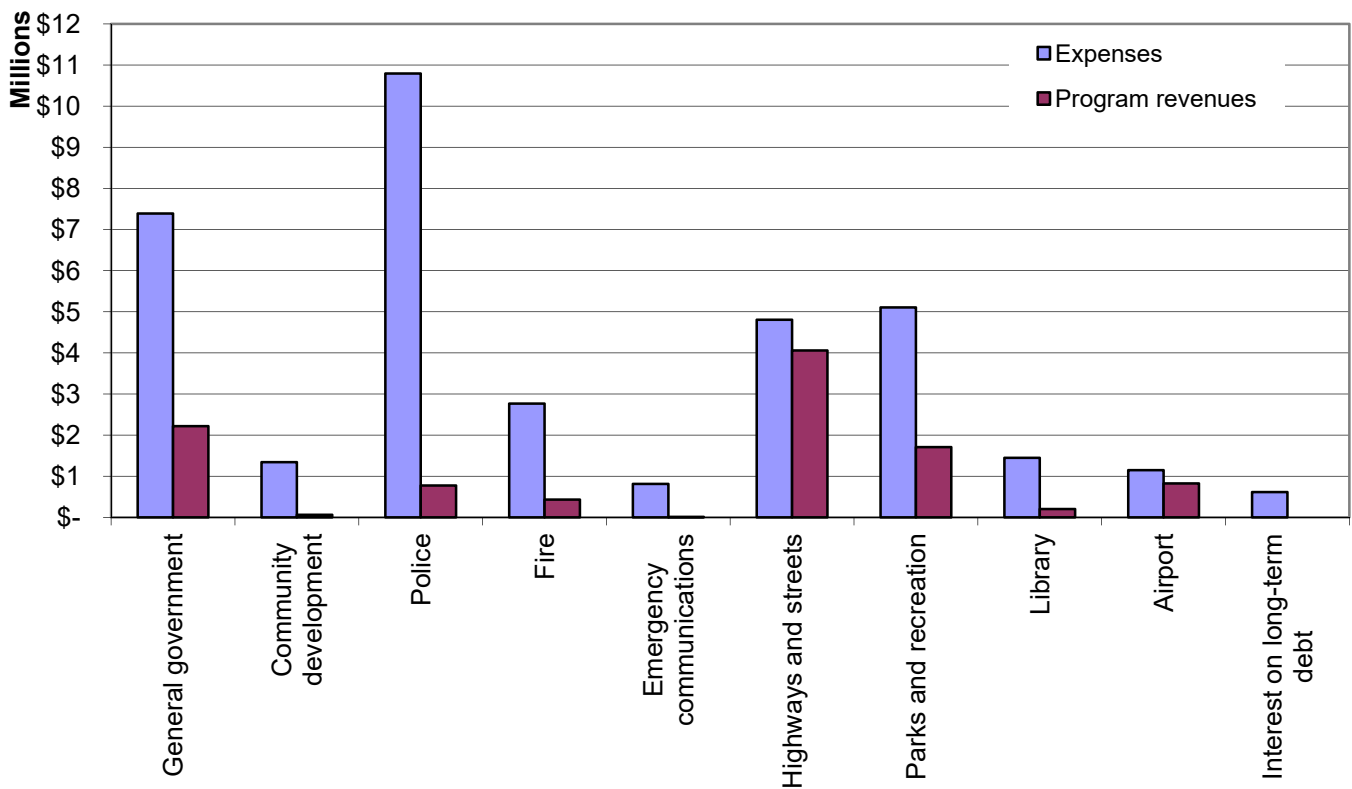
City of McMinnville - Management's Discussion and Analysis

- **For governmental activities**, program revenues increased by \$1.1 million due to an increases in charges for services and in capital grants and contributions for highways and streets; i.e., infrastructure contributions from developers. General revenues increased by \$2.5 million compared to the prior year due to increases in property tax and transient lodging tax revenues.

Total expenses for governmental activities increased \$15.0 million compared to the prior year. This change is attributable to several factors. Due to the implementation of GASB Statement 68, a \$4.2 million reduction of pension expense was recognized in fiscal year 2015. However, in 2016, pension expense related to GASB Statement 68 increased by \$6.3 million.

The following bar chart compares each governmental activity expense with the revenue stream for each activity and illustrates the extent to which different programs are subsidized with general revenues.

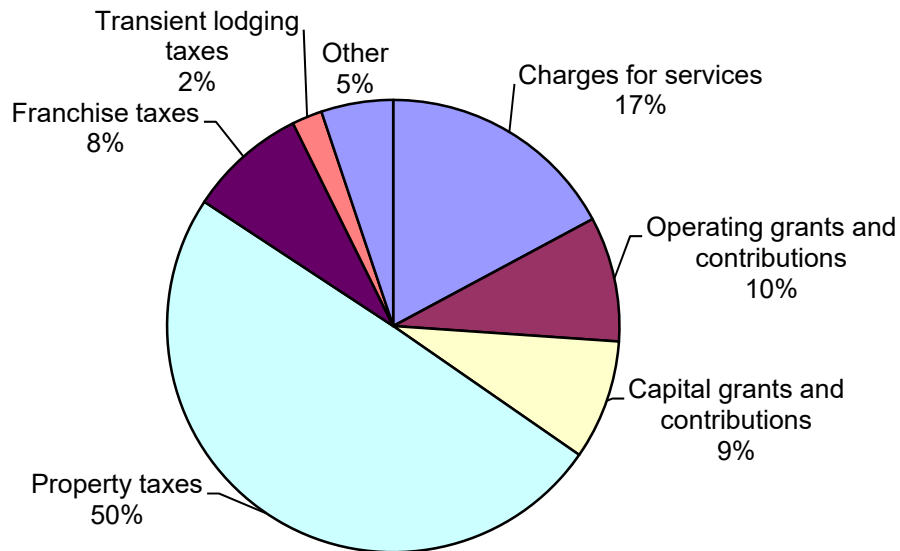
**Governmental Activities
Expenses and Program Revenues by Function
For the Year Ended June 30, 2016**



City of McMinnville - Management's Discussion and Analysis

The following pie chart illustrates the relative amount of the different categories of revenue sources for governmental activities.

**Governmental Activities
Revenues by Source
For the Year Ended June 30, 2016**



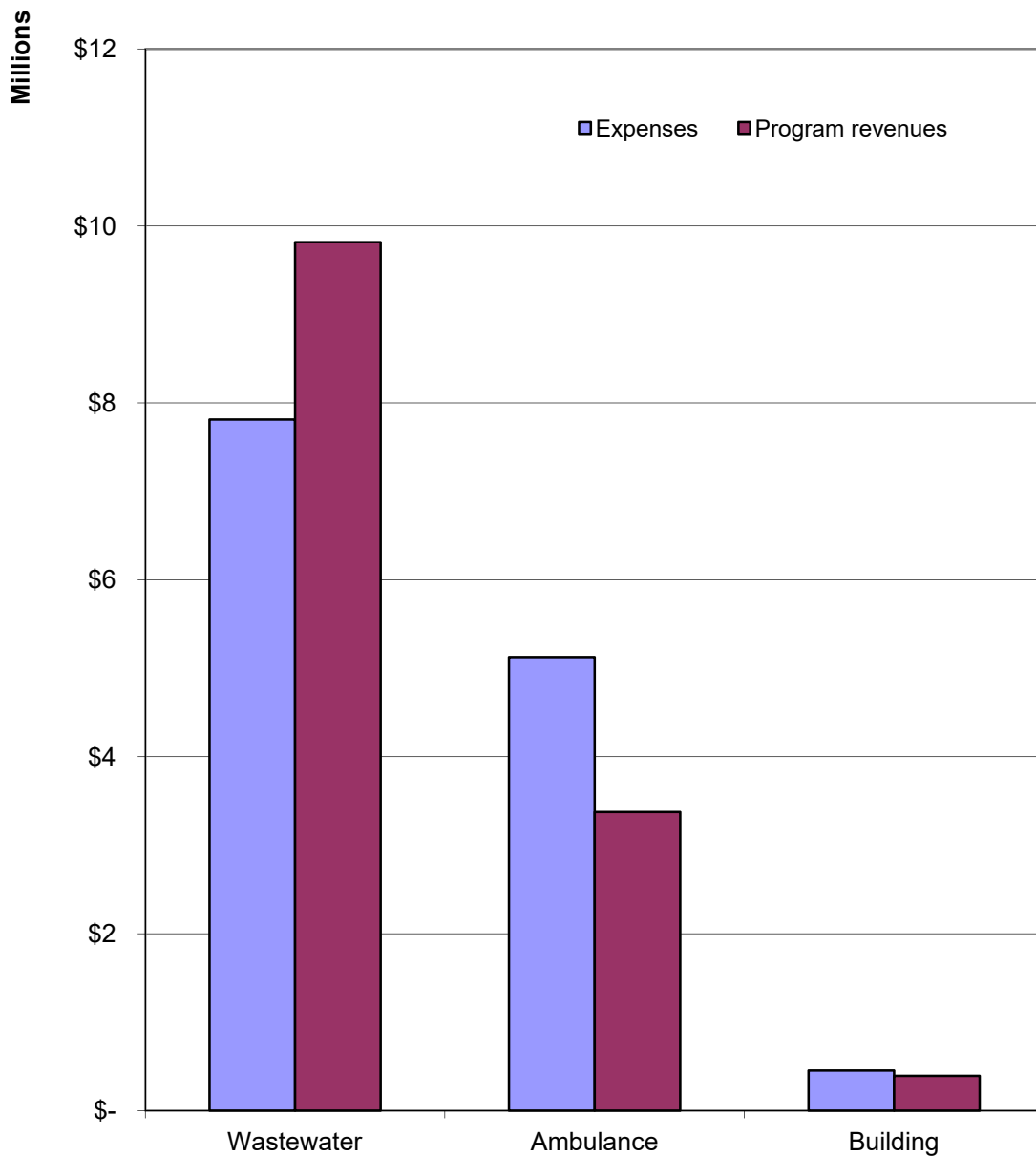
For business-type activities, total revenue, primarily consisting of charges for services, remained consistent with the prior year. A decrease in Wastewater charges for services, specifically systems development charges, was offset by an increase in Ambulance charges for services resulting from a higher number of transports in 2016. Building revenues decreased by \$0.2 million compared to the prior year, due to lower levels of building construction activity.

Total expenses for business-type activities increased by approximately \$4.8 million. Implementation of GASB Statement 68 in fiscal year 2015 resulted in a \$1.5 million reduction in pension expense in fiscal year 2015. However, in fiscal year 2016, pension expense related to GASB 68 was \$2.3 million for business-type activities.

City of McMinnville - Management's Discussion and Analysis

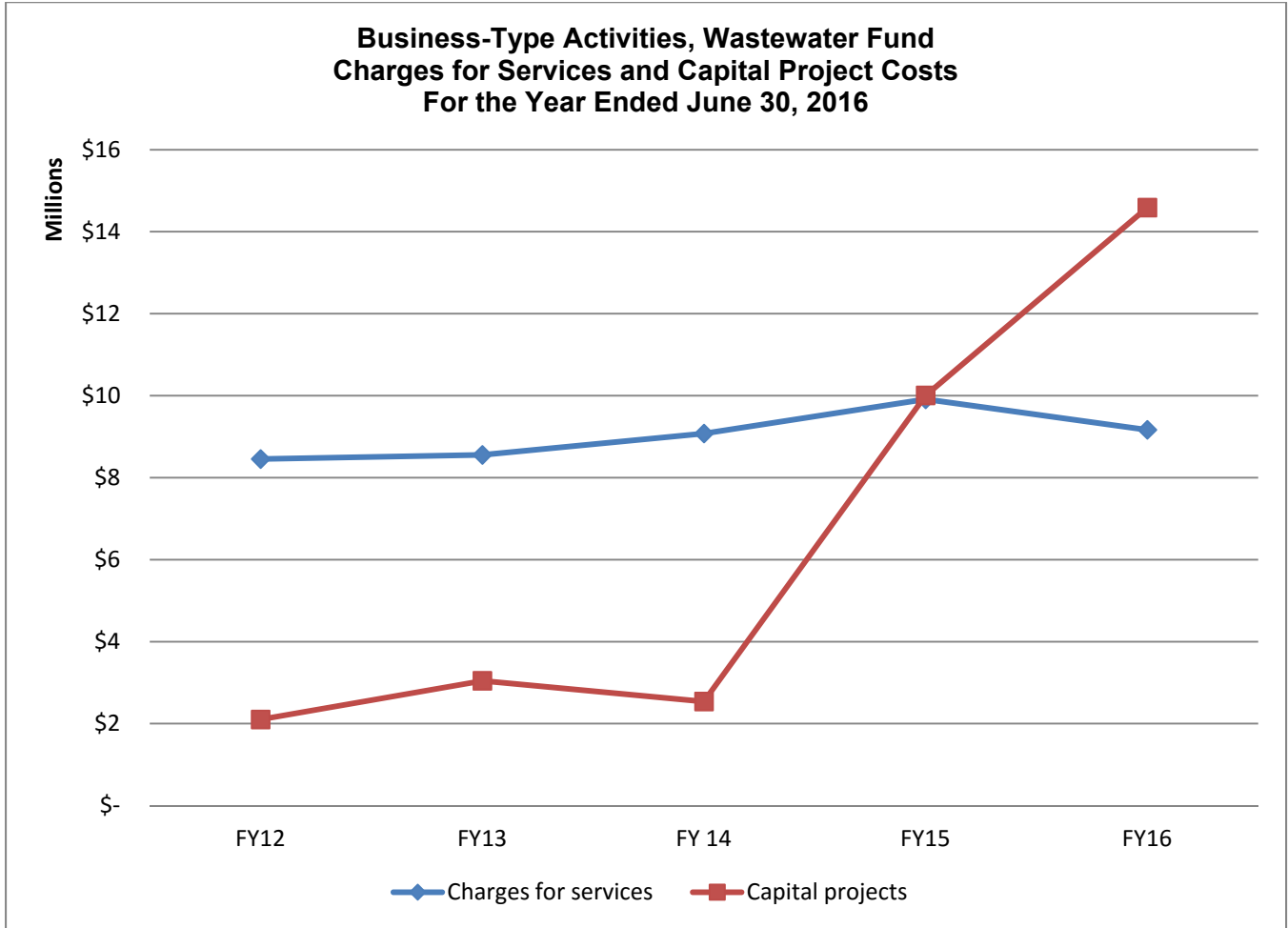
The following bar chart compares each business-type activity expense with the revenue stream for that activity. The significant difference between Wastewater revenue and expenses is due to a financial policy adopted by City Council to set sewer rates at a level sufficient to fund future capital projects on a "pay as you go" basis. The chart indicates that Ambulance expenses exceeded program revenues; payments received for ambulance transports do not cover the cost of providing emergency transport services. Building Department permit expenses slightly exceeded revenues, reflecting that the number of building permits issued decreased, while staffing levels for the Building Department remained consistent with the prior year.

Business-Type Activities
Net Expenses and Program Revenues by Function
For the Year Ended June 30, 2016



City of McMinnville - Management's Discussion and Analysis

The line graph below focuses on Wastewater charges for services and capital project costs for the last five years. The graph illustrates that charges for services are steadily increasing, while capital project costs can vary due to the number and size of projects in a given year. The graph reflects the beginning of the construction phase of the Water Reclamation Facilities expansion project in fiscal year 2015.



Department - Statement of Activities: Total revenues for the Department overall decreased by \$1.0 million compared to the prior year. Revenues from charges for services for water and electricity increased \$0.3 million and revenue from timber sales, net of related expenses, decreased by \$1.0 million. Total expenses increased by \$2.8 million, largely due to implementation of GASB Statement 68 and a large credit to pension expense in 2015.

City of McMinnville - Management's Discussion and Analysis

Fund Financial Analysis

Fund accounting segregates revenues according to their intended purposes and is used to aid management in demonstrating legal and contractual compliance with revenue source spending requirements. The following schedule reflects fund balance classifications as defined in GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Governmental Funds –Ending Fund Balances June 30, 2016 and 2015 (Restated) (in thousands)

Ending Fund Balances										
Major Funds										
Airport Maintenance		Transportation		Debt Service		Non-major Funds		Total		Net Change
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8	\$ 68	\$ 30	\$ 38
-	-	17,446	20,298	1,849	1,470	3,547	4,106	22,842	5,671	17,171
869	825	-	-	-	-	117	110	986	935	51
-	-	-	-	-	-	157	831	804	1,425	(621)
-	-	-	-	-	-	(189)	-	6,580	7,575	(995)
<u>\$ 869</u>	<u>\$ 825</u>	<u>\$ 17,446</u>	<u>\$ 20,298</u>	<u>\$ 1,849</u>	<u>\$ 1,470</u>	<u>\$ 3,632</u>	<u>\$ 5,055</u>	<u>\$ 31,280</u>	<u>\$ 15,636</u>	<u>\$ 15,644</u>

The General Fund is the City's main operating fund and is used to account for administration and finance (general government); engineering and planning (community development); police, municipal court, and fire (public safety); and parks and recreation and library (culture and recreation activities).

Total General Fund revenues increased by \$0.5 million compared to the prior year. Property tax revenue increased by \$0.6 million due to growth in assessed property values and new construction. Licenses and permits, charges for services, intergovernmental revenues, and fines and forfeitures remained relatively consistent with the prior year.

Total General Fund expenditures decreased by \$0.6 million compared to the prior year, due to several factors. In 2015, public safety expenditures included \$1.0 million for purchase of fire vehicles and equipment. Expenditures for general government, community development, and culture and recreation increased by \$0.4 million, primarily due to higher costs for salaries and fringe benefits.

In the General Fund, total revenues exceeded expenditures by \$0.8 million in 2016. However, when including transfers to other funds of \$1.6 million, the net decrease in fund balance was \$0.8 million. The majority of the amount transferred to other funds consisted of \$1.1 million to the Ambulance Fund in order to balance the Ambulance Fund budget.

General Fund assigned fund balance includes \$0.6 million of Length of Service Award Program (LOSAP) plan assets. LOSAP is a non-qualified retirement plan for the City's volunteer firefighters. LOSAP is described in more detail in the notes to the financial statements, Note IV.D.2. Unassigned fund balance decreased by \$0.8 million compared with the prior year.

City of McMinnville - Management's Discussion and Analysis

The Airport Maintenance Fund committed balance was \$0.9 million at the end of 2016. Charges for services revenue, including rental payments for land and building leases, were consistent with operating expenditures. Operating expenditures, primarily maintenance and improvements costs for buildings and runways, vary from year to year depending on projects. Rental property revenue is committed by City Council resolution solely for airport operations. Federal Aviation Administration (FAA) grant funds are accounted for in the Airport Maintenance Fund and are restricted for airport improvement projects. The City received \$0.6 million in FAA grant funds in the current fiscal year.

The Transportation Fund restricted balance decreased by \$2.9 million in the current fiscal year. In April 2015, the City issued a total of \$23.3 million in general obligation bonds. Of the \$23.3 million in bond proceeds, \$16.1 million of bond proceeds and bond premium of \$2.2 million are accounted for in the Transportation Fund and are being spent to finance expansion and improvement of City streets.

The remaining bond proceeds and premium were used to advance refund \$8.0 million of outstanding 2006 Public Safety and Civic Buildings bonds and are accounted for in the Debt Service Fund. The advance refunding of the 2006 bonds will reduce total debt service payments over 12 years by \$0.6 million.

The Debt Service Fund restricted balance increased by \$0.4 million compared to the prior year. The amount of taxes levied increased in 2016 related to debt service payments due on the general obligation transportation bonds issued in 2015.

Non-major governmental fund ending fund balances include amounts restricted for debt service, street maintenance, and transient lodging taxes.

Proprietary Funds – Ending Net Position June 30, 2016 and 2015 (in thousands)

Fund:	Unrestricted		Restricted		Net Investment in Capital Assets		Total	
	2,016	2015	2,016	2015	2,016	2015	2,016	2015
Wastewater	\$ 16,066	\$ 16,740	\$ -	\$ -	\$ 57,074	\$ 54,292	\$ 73,140	\$ 71,032
Ambulance	(1,333)	(532)	-	-	796	648	(537)	116
Building	-	-	437	482	256	265	693	747
Internal Service	1,160	985	-	-	532	572	1,692	1,557
Total ending net position	\$ 15,893	\$ 17,193	\$ 437	\$ 482	\$ 58,658	\$ 55,777	\$ 74,988	\$ 73,452

For proprietary funds, total ending net position for proprietary funds, including Internal Services Funds, increased by \$1.5 million compared to the prior fiscal year. A \$2.1 million increase in net investment in capital assets was offset by a \$1.3 million decrease in unrestricted net position. The decrease in unrestricted net position was primarily due to pension expense related to GASB Statement 68.

For Wastewater, the increase in net investment in capital assets was related to a major capital project for expansion of the Water Treatment Facility.

Ambulance unrestricted net position decreased by \$0.7 million, primarily due to the effect of implementation of GASB Statement 68. The impact of implementation on the Ambulance Fund was significant because components related to the statement are allocated according to fiscal year pension contributions. Ambulance exceeds all departments, other than the Police Department, in salary expense and pension contributions. In addition, expenses exceeded revenues by \$0.9 million due to increased operational costs.

The slight decrease in Building Fund net position reflects lower building permit fee revenues resulting from less in building construction activity in 2016.

City of McMinnville - Management's Discussion and Analysis

Internal service funds include Information Systems & Services and Insurance Services Funds. Net position for both funds was relatively consistent with the prior year. Operating departments pay premiums to the Insurance Services Fund for property, liability, and workers compensation insurance. For fiscal year 2016, the amount of premiums paid slightly exceeded the cost of claims. The City purchases property, liability, and workers compensation insurance from City County Insurance Services, a public entity risk pool.

General Fund Budgetary Highlights

During the fiscal year, no supplemental budgets were adopted by the City Council that amended the General Fund budget. Appropriation transfers were adopted by the City Council to allow for unanticipated Fire equipment purchases, an increase in the interfund transfer to the Urban Renewal Fund, and recording accrued payroll for the last week of the fiscal year.

General Fund revenues exceeded budgeted revenues by \$0.4 million, primarily due to higher than anticipated property tax collections. Total expenditures were approximately \$0.7 million less than budgeted, excluding the operating contingency. This favorable variance was due to savings achieved in all General Fund departments.

Transactions between the General Fund and Urban Renewal funds were budgeted as "inter-agency" transactions, per guidance received from the Oregon Department of Revenue regarding Oregon local budget law statutes. In these financial statements, those transactions are presented as interfund transfers. Due to this difference in presentation, an over budget variance of \$0.2 million occurred in the General Fund transfers out appropriation.

Capital Assets

The City's capital assets are used to provide services to the public and include land, buildings, machinery and equipment, and vehicles. Infrastructure includes streets, traffic lights, sanitary sewer lines, and storm drains.

Capital Assets						
June 30, 2016 and 2015						
(in millions)						
	Governmental		Business-Type		Total City	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Land	\$ 28.4	\$ 28.4	\$ 0.8	\$ 0.8	\$ 29.2	\$ 29.2
Easements	1.9	1.5	0.2	0.2	2.1	1.7
Public art	0.2	0.2	-	-	0.2	0.2
Land improvements	18.6	18.6	0.1	0.1	18.7	18.7
Buildings	32.7	32.7	54.3	41.9	87.0	74.6
Machinery and equipment	6.1	6.0	2.4	2.3	8.5	8.3
Vehicles	4.9	4.5	2.0	1.9	6.9	6.4
Infrastructure	54.6	52.5	44.1	42.1	98.7	94.6
Construction in progress	1.9	0.5	-	9.1	1.9	9.6
Total capital assets	149.3	144.9	103.9	98.4	253.2	243.3
Accumulated depreciation	(74.3)	(71.0)	(45.8)	(43.2)	(120.1)	(114.2)
Net capital assets	\$ 75.0	\$ 73.9	\$ 58.1	\$ 55.2	\$ 133.1	\$ 129.1

City of McMinnville - Management's Discussion and Analysis

Capital Assets: The City's total net capital assets increased \$4.0 million from the prior fiscal year. An increase of \$9.9 million in total capital assets was offset by \$5.9 million in depreciation.

- Governmental activities total capital assets increased by \$4.4 million, due to a \$5.5 million increase in infrastructure and construction in progress related to street improvements funded with general obligation bond proceeds. This increase was offset by \$3.3 million in depreciation expense.
- For business-type activities, total capital assets increased \$5.5 million. Water Reclamation Facility improvements of \$9.1 million were recorded as construction in progress in 2015. In 2016, the majority of projects that were included in construction in process were completed, resulting in an increase of \$12.4 to buildings capital assets, partially offset by a decrease in construction in progress of \$9.0 million. Including depreciation, net capital assets increased by \$2.9 million.

Additional information regarding City and Department capital assets can be found in the notes to the financial statements, Note III. C.

Debt Administration

The City issues general obligation bonds and full faith and credit obligations to finance capital improvement projects. City debt also includes a pension related debt for the PERS transition liability.

Outstanding Debt June 30, 2016 and 2015 (in millions)

	Governmental Activities		Business-Type Activities		Total City	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 30.3	\$ 32.1	\$ -	\$ -	\$ 30.3	\$ 32.1
Full Faith and Credit	3.2	1.8	-	-	3.2	1.8
Pension related debt	2.7	2.8	1.0	1.0	3.7	3.8
Total outstanding debt	<u>\$ 36.2</u>	<u>\$ 36.7</u>	<u>\$ 1.0</u>	<u>\$ 1.0</u>	<u>\$ 37.2</u>	<u>\$ 37.7</u>

Outstanding Debt: At June 30, 2016, the City had \$37.2 million in outstanding debt compared to \$37.7 million in the prior year, a net decrease of \$0.5 million. A decrease in general obligation bonds of \$1.8 million was due to principal payments made during fiscal year 2016. Full faith and credit debt increased by \$1.4 million due to a corresponding increase in the amount owed to ODOT for the Dundee Bypass loan. Pension debt decreased slightly due to principal payments on the PERS transition liability. Of the total outstanding debt for governmental activities, approximately \$2.6 million is due within one year.

For business-type activities, the total debt outstanding of \$1.0 million at June 30, 2016 is related to the PERS transition liability.

The \$30.3 million in governmental activities general obligation debt is entirely payable from property taxes levied specifically for that purpose. The remaining \$3.2 million in full faith and credit obligation and \$2.7 million in pension related debt will be repaid from general revenues of the City. City and Department outstanding debt are described in more detail in the notes to the financial statements, Note III. G.

Bond Ratings: The City received an Aa3 rating from Moody's Investor's Services, Inc. for the 2015 General Obligation and Refunding bonds sold in April 2015. At that time Moody's Investor's Services, Inc. affirmed the Aa3 rating on the City's other outstanding general obligation debt.

City of McMinnville - Management's Discussion and Analysis

Economic Factors and Future Operations

Governmental activities: The following economic factors currently affect the City of McMinnville's governmental activities:

- In 2016, taxable assessed property values increased by 4.3 percent compared to the prior year. Real market values increased by 9.6 percent. Real market values decreased from 2010 through 2014, but have been steadily increasing since 2014. For fiscal year 2016, assessed property values are 73 percent of real market value.
- The value of commercial, industrial and residential building permits decreased significantly in 2016 compared to 2015, due to a 70 percent decrease in commercial and industrial permits. This decrease is primarily due to several large projects in 2015 and a limited number of projects in 2016.
- Unemployment rates in Yamhill County are trending downward and are consistent with unemployment rate trends for the State of Oregon. Unemployment rates (not seasonally adjusted) for Yamhill County were 5.1 percent in June 2016 compared to 5.5 percent in June 2015.
- In 2013, the City Council created an Urban Renewal Agency and adopted an Urban Renewal Plan to promote development of the historic downtown and neighboring properties. The Agency began collecting incremental taxes in fiscal year 2015.
- The cost of employee fringe benefits, including health insurance premiums, continues to rise. The potential impact of the repeal of the Affordable Care Act is unknown.
- The City's PERS employer contribution rates increased by 20 percent for the 2015-17 biennium compared to the prior biennium. PERS has projected that most PERS employers will see a 20 percent increase in contribution rates in every biennium in the foreseeable future.

Business-type activities:

- **Wastewater operations:** In 2013, City Council adopted the updated Sanitary Sewer Conveyance System Master Plan, the Water Reclamation Facilities Plan, and the Wastewater System Financial Plan. The Conveyance System and Facilities Plans established a cost-effective plan for wastewater management through 2023. The Financial Plan projects that moderate annual rate increases, as well as spending down of the substantial reserve set aside for capital projects, will allow the City to continue a "pay as you go" funding strategy for wastewater capital improvements. The City plans to complete wastewater system and facilities upgrades of approximately \$35 million in the next five years.
- **Ambulance operations:** Ambulance transport net revenues increased by 18 percent in fiscal year 2016 compared to the prior year. This increase can be attributed to several factors. Due to the Affordable Care Act, more individuals are covered by health insurance, particularly Oregon Medicaid. As a result of the increase in Medicaid transports, the number of transports billed as "private pay" has decreased, with a corresponding decrease in accounts written off and sent to collections. In addition, the number of adult care facilities has increased significantly, resulting in a three percent increase in transports billed to federal Medicare. The City is currently considering options to address the increase in transports and the increasing costs of providing emergency medical services to the community.
- **Building operations:** Building permit revenues decreased by 29 percent compared to the prior year, reflecting a significant decrease in commercial and industrial construction activity. Residential construction activity remained relatively consistent with the prior year. For comparison, building permit revenue increased 42 percent in 2015 and 36 percent in 2014.

Additional economic factors affecting McMinnville are described in the transmittal letter of this report.

City of McMinnville - Management's Discussion and Analysis

Information Requests

The City's *Comprehensive Annual Financial Report* has been prepared to provide a general overview of the City of McMinnville's finances. Questions concerning any of the information provided in this report or requests for additional information may be directed to the City's Finance Department at 230 NE Second Street, McMinnville, OR 97128. The Finance Director may be contacted at 503-434-2350, or at Marcia.Baragary@ci.mcminnville.or.us.

BASIC FINANCIAL STATEMENTS

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to Basic Financial Statements



GOVERNMENT-WIDE FINANCIAL STATEMENTS

- Statement of Net Position
- Statement of Activities



City of McMinnville, Oregon
Statement of Net Position
June 30, 2016

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Assets				
Cash and investments	\$ 14,167,256	\$ 18,347,673	\$ 32,514,929	38,455,586
Receivables, net of allowances for uncollectibles	2,761,585	1,428,803	4,190,388	5,162,773
Prepays	71,363	5,994	77,357	-
Due from component unit	109,487	739,518	849,005	-
Restricted cash and investments	19,131,559	-	19,131,559	-
Inventories	-	-	-	780,383
Other current assets	-	-	-	899,906
Renewable energy certificates	-	-	-	919,494
Regulatory asset-conservation charges	-	-	-	2,035,865
Capital assets:				
Non-depreciable capital assets	32,370,962	1,029,087	33,400,049	8,151,192
Depreciable capital assets	116,903,599	102,940,904	219,844,503	163,646,266
Accumulated depreciation	(74,266,381)	(45,844,514)	(120,110,895)	(48,684,281)
Total assets	111,249,430	78,647,465	189,896,895	171,367,184
Deferred Outflows of Resources				
Deferred outflow of resources - charges on refunding	395,867	-	395,867	-
Deferred outflow of resources - pension	2,197,410	784,555	2,981,965	1,093,985
Total deferred outflows of resources	2,593,277	784,555	3,377,832	1,093,985
Liabilities				
Accounts payable	971,826	874,267	1,846,093	3,092,960
Accrued payroll and other payroll liabilities	776,840	113,228	890,068	263,236
Due to primary government	-	-	-	849,005
Accrued interest payable	203,404	-	203,404	-
Retainage payable	16,780	61,561	78,341	-
Advances and deposits	167,184	-	167,184	374,796
Other liabilities	73,494	-	73,494	-
Unearned revenue	231,025	1,300	232,325	-
Compensated absences	886,248	288,753	1,175,001	449,588
Non-current liabilities				
Due within one year	2,610,564	-	2,610,564	-
Due in more than one year	43,617,227	4,126,619	47,743,846	6,978,909
Total Liabilities	49,554,592	5,465,728	55,020,320	12,008,494
Deferred Inflows of Resources				
Deferred inflow of resources - pension	1,877,968	670,502	2,548,470	923,644
Net Position				
Net investment in capital assets	60,243,871	58,125,477	118,369,348	123,113,177
Restricted for:				
Capital projects	18,584,230	-	18,584,230	-
Debt service	1,998,548	-	1,998,548	-
Highways and streets	2,107,690	-	2,107,690	-
Tourism promotion	151,327	-	151,327	-
Building inspection	-	437,036	437,036	-
Unrestricted	(20,675,519)	14,733,277	(5,942,242)	36,415,854
Total net position	\$ 62,410,147	\$ 73,295,790	\$ 135,705,937	159,529,031

City of McMinnville
Statement of Activities
For the Year Ended June 30, 2016

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 7,389,396	\$ 1,074,482	\$ 327,670	\$ 86,298
Community development	1,341,282	770,042	20,040	-
Public Safety:				
Police	10,792,039	739,236	6,625	29,000
Fire	2,766,437	419,445	14,661	
Emergency Communications	812,742	12,090		
Highways and streets	4,804,574	253,342	1,947,630	1,857,838
Culture and recreation:				
Parks and recreation	5,103,934	1,525,952	178,836	5,425
Library	1,448,885	44,693	159,324	
Airport	1,147,840	260,293		564,424
Interest on long-term debt	614,253	-		
Total governmental activities	36,221,382	5,099,575	2,654,786	2,542,985
Business-Type Activities:				
Building Division	453,557	393,079	-	-
Wastewater	7,811,354	9,166,543	-	650,082
Ambulance	5,125,215	3,373,134	-	-
Total business-type activities	13,390,126	12,932,756	-	650,082
Total primary government	\$ 49,611,508	\$ 18,032,331	\$ 2,654,786	\$ 3,193,067
Component Unit				
Water and Light	\$ 44,911,690	\$ 45,275,019	\$ -	\$ 974,832

General Revenues:

Taxes:

Property taxes

Franchise taxes

Transient lodging taxes

Unrestricted state shared revenues

Unrestricted investment earnings

Timber sales, net of related expenses

Other, net

Loss on disposal of assets

Interest Expense

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Restatement (see Note IV.K. and IV.L.)

Net position - beginning as restated

Net position - ending

The notes to the financial statements are an integral part of this statement

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Water and Light
\$ (5,900,946)	\$ -	\$ (5,900,946)	\$ -
(551,200)	-	(551,200)	-
(10,017,178)	-	(10,017,178)	-
(2,332,331)	-	(2,332,331)	-
(800,652)	-	(800,652)	-
(745,764)	-	(745,764)	-
(3,393,721)	-	(3,393,721)	-
(1,244,868)	-	(1,244,868)	-
(323,123)	-	(323,123)	-
(614,253)	-	(614,253)	-
<u>(25,924,036)</u>	<u>-</u>	<u>(25,924,036)</u>	<u>-</u>
-	(60,478)	(60,478)	-
-	2,005,271	2,005,271	-
-	(1,752,081)	(1,752,081)	-
-	192,712	192,712	-
<u>(25,924,036)</u>	<u>192,712</u>	<u>(25,731,324)</u>	<u>-</u>
			<u>\$ 1,338,161</u>
14,751,884	-	14,751,884	-
2,504,237	-	2,504,237	-
644,878	-	644,878	-
825,156	-	825,156	-
86,079	76,170	162,249	264,782
-	-	-	2,364,804
617,243	112,390	729,633	1,304,702
-	(50,308)	(50,308)	(913,815)
-	-	-	(60,735)
<u>(1,327,911)</u>	<u>1,327,911</u>	<u>-</u>	<u>-</u>
<u>18,101,566</u>	<u>1,466,163</u>	<u>19,567,729</u>	<u>2,959,738</u>
<u>(7,822,470)</u>	<u>1,658,875</u>	<u>(6,163,595)</u>	<u>4,297,899</u>
<u>71,276,986</u>	<u>71,636,915</u>	<u>142,913,901</u>	<u>157,962,286</u>
<u>(1,044,369)</u>	<u>-</u>	<u>(1,044,369)</u>	<u>(2,731,154)</u>
<u>70,232,617</u>	<u>71,636,915</u>	<u>141,869,532</u>	<u>155,231,132</u>
<u>\$ 62,410,147</u>	<u>\$ 73,295,790</u>	<u>\$ 135,705,937</u>	<u>\$ 159,529,031</u>



FUND FINANCIAL STATEMENTS

- Governmental Funds:
 - Balance Sheet
 - Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
 - Statement of Revenues, Expenditures, and Changes in Fund Balances
 - Reconciliation of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
 - Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:
 - General Fund
 - Airport Maintenance Fund
- Proprietary Funds:
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows



**City of McMinnville
Balance Sheet
Governmental Funds
June 30, 2016**

	General	Airport Maintenance	Transportation	Debt Service	Total Non-Major Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	7,601,814	754,540	-	1,808,357	2,459,838	12,624,549
Receivables	1,806,719	182,032	21,613	213,442	537,279	2,761,085
Due from other funds	2,872	-	-	-	-	2,872
Prepays	68,332	-	-	-	4	68,336
Advances to other funds	213,784	-	-	-	-	213,784
Due from component unit	108,560	-	-	-	-	108,560
Restricted cash and investments	-	-	17,918,111	-	1,213,448	19,131,559
Total assets	<u>9,802,081</u>	<u>936,572</u>	<u>17,939,724</u>	<u>2,021,799</u>	<u>4,210,569</u>	<u>34,910,745</u>
Liabilities						
Accounts payable	153,603	38,720	477,067	-	233,571	902,961
Due to other funds	-	-	-	-	2,872	2,872
Accrued payroll and other payroll liabilities	761,001	-	-	-	15,839	776,840
Retainage payable	-	-	16,780	-	-	16,780
Advances and deposits	167,184	-	-	-	213,784	380,968
Unearned revenue	133,015	29,129	-	-	68,881	231,025
Total Liabilities	<u>1,214,803</u>	<u>67,849</u>	<u>493,847</u>	<u>-</u>	<u>534,947</u>	<u>2,311,446</u>
Deferred inflows of resources:						
Unavailable revenue-property taxes	1,100,441	-	-	173,086	5,975	1,279,502
Unavailable revenue - other	2,704	-	-	-	37,550	40,254
Total deferred inflows of resources	<u>1,103,145</u>	<u>-</u>	<u>-</u>	<u>173,086</u>	<u>43,525</u>	<u>1,319,756</u>
Fund Balances						
Nonspendable	68,332	-	-	-	4	68,336
Restricted	-	-	17,445,877	1,848,713	3,547,201	22,841,791
Committed	-	868,723	-	-	117,120	985,843
Assigned	647,141	-	-	-	156,556	803,697
Unassigned	6,768,660	-	-	-	(188,784)	6,579,876
Total fund balances	<u>7,484,133</u>	<u>868,723</u>	<u>17,445,877</u>	<u>1,848,713</u>	<u>3,632,097</u>	<u>31,279,543</u>
Total liabilities, deferred inflows of resources and fund balances	<u>9,802,081</u>	<u>936,572</u>	<u>17,939,724</u>	<u>2,021,799</u>	<u>4,210,569</u>	<u>34,910,745</u>

City of McMinnville, Oregon
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

Total fund balances - governmental funds \$ 31,279,543

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Capital assets	\$ 147,003,716	
Accumulated depreciation	<u>(72,527,663)</u>	74,476,053

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds:

Property taxes earned but not available	1,279,502	
Other receivables earned but not available	40,254	
Deferred outflows of resources - pension	<u>2,155,362</u>	3,475,118

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability	(8,756,747)	
Bonds payable	(33,554,370)	
Deferred amount on bond refunding	395,867	
Pension related debt	(2,608,969)	
Rebatable arbitrage	(6,684)	
Interest payable	(203,404)	
Other post employment benefits payable	(1,068,488)	
Compensated absences payable	(867,604)	
Deferred inflows of resources - pension	<u>(1,842,772)</u>	(48,513,171)

Internal service funds are used by management to charge costs of insurance and information systems and services to individual funds.

Assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 1,692,604

Total net position - governmental activities \$ 62,410,147

City of McMinnville
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General	Airport Maintenance	Transportation	Debt Service	Total Non-Major Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 11,861,826	\$ -	\$ -	\$ 2,708,189	\$ 118,366	\$ 14,688,381
Special assessments	-	-	-	-	57,151	\$ 57,151
Licenses and permits	2,336,296	-	-	-	911,398	\$ 3,247,694
Intergovernmental	1,451,848	574,657	40,361	-	2,274,024	\$ 4,340,890
Charges for services	2,519,313	241,031	252,413	-	314,558	\$ 3,327,315
Fines and forfeitures	580,010	-	-	-	-	\$ 580,010
Miscellaneous	363,930	12,506	119,224	6,264	21,861	\$ 523,785
Total revenues	<u>19,113,223</u>	<u>828,194</u>	<u>411,998</u>	<u>2,714,453</u>	<u>3,697,358</u>	<u>26,765,226</u>
Expenditures						
Current:						
General government	1,864,411	-	-	-	1,380,876	\$ 3,245,287
Community development	1,295,680	-	-	-	-	\$ 1,295,680
Public Safety	10,257,291	-	-	-	787,530	\$ 11,044,821
Highways and streets	-	-	1,629,161	-	1,735,327	\$ 3,364,488
Culture and recreation	4,788,686	-	-	-	66,856	\$ 4,855,542
Airport	-	784,495	-	-	-	\$ 784,495
Capital outlay:						\$ -
Highways and streets	-	-	1,735,138	-	-	\$ 1,735,138
Culture and recreation	-	-	-	-	4,650	\$ 4,650
Debt service:						\$ -
Principal	75,529	-	-	1,525,000	-	\$ 1,600,529
Interest	39,763	-	-	910,624	-	\$ 950,387
Total expenditures	<u>18,321,360</u>	<u>784,495</u>	<u>3,364,299</u>	<u>2,435,624</u>	<u>3,975,239</u>	<u>28,881,017</u>
Excess (deficiency) of revenues over (under) expenditures	<u>791,863</u>	<u>43,699</u>	<u>(2,952,301)</u>	<u>278,829</u>	<u>(277,881)</u>	<u>(2,115,791)</u>
Other Financing Sources (Uses)						
Transfers from other funds	188,401	-	100,000	100,000	759,747	\$ 1,148,148
Transfers to other funds	(1,812,400)	-	-	-	(404,748)	\$ (2,217,148)
Total other financing sources (uses)	<u>(1,623,999)</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>354,999</u>	<u>(1,069,000)</u>
Net change in fund balances	(832,136)	43,699	(2,852,301)	378,829	77,118	(3,184,791)
Fund balances - beginning, as previously stated	8,286,269	825,024	20,298,178	1,469,884	3,584,979	\$ 34,464,334
IV.K.) restated	30,000	-	-	-	(30,000)	-
Fund balances - ending	<u>\$ 7,484,133</u>	<u>\$ 868,723</u>	<u>\$ 17,445,877</u>	<u>\$ 1,848,713</u>	<u>\$ 3,632,097</u>	<u>\$ 31,279,543</u>

City of McMinnville, Oregon
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Net change in fund balances - governmental funds \$ (3,184,791)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is the difference between capital outlays and depreciation in the current period.

Capital asset expenditures	\$ 3,554,796	
Current year depreciation expense	<u>(3,345,069)</u>	209,727

Transfers of capital assets are not recorded in the governmental funds as they do not require the use of current financial resources. However, the Statement of Activities reports transfers of capital assets as transfers when made from business type activities.
Capital asset transfers from business type activities

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Donations of capital assets	982,860	
Change in property taxes earned but not available	63,503	
Change in other revenues earned but not available	<u>(44,536)</u>	1,001,827

In the statement of activities, only the gain on the sale of capital assets is reported. However, in governmental funds, the proceeds from these sales increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets disposed.

Cost		
Accumulated depreciation		-

Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments on long-term obligations	1,779,025	
Increases in long-term obligations	(1,530,675)	
Amortization of premium - general obligation bonds	282,081	
Amortization of deferred charge on bond refunding	<u>(36,825)</u>	493,606

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Rebatable arbitrage	4,792	
Change in compensated absences	(54,463)	
Change in other post employment benefits	(107,747)	
Change in pension liability	(6,153,705)	
Change in accrued interest	90,878	
Eliminate prior internal balances	<u>(258,911)</u>	(6,479,156)

Internal service funds are used by management to charge costs of insurance and information systems and services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. Losses from capital asset transfers from internal service funds to other governmental funds are offset by the receipt of assets within governmental activities and are eliminated on the Statement of Activities.

Net revenue		<u>136,317</u>
-------------	--	----------------

Change in net position - governmental activities \$ (7,822,470)

City of McMinnville, Oregon
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and
Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 11,335,000	\$ 11,335,000	\$ 11,861,826	\$ 526,826
Licenses and permits	2,449,000	2,449,000	2,336,296	(112,704)
Intergovernmental	1,507,442	1,507,442	1,451,848	(55,594)
Charges for services	1,293,980	1,293,980	1,336,539	42,559
Fines and forfeitures	553,250	553,250	580,010	26,760
Miscellaneous	365,296	365,296	363,930	(1,366)
Total revenues	<u>17,503,968</u>	<u>17,503,968</u>	<u>17,930,449</u>	<u>426,481</u>
Expenditures				
General government				
Administration	885,311	905,311	860,802	44,509
Finance	724,344	729,344	711,917	17,427
Community development				
Engineering	906,281	914,781	860,431	54,350
Planning	470,479	470,479	459,525	10,954
Public safety:				
Police	7,438,263	7,438,263	7,270,075	168,188
Municipal court	466,731	466,731	439,954	26,777
Fire	2,815,570	2,895,570	2,843,082	52,488
Culture and recreation				
Parks and recreation	2,450,159	2,458,159	2,419,202	38,957
Park maintenance	1,015,615	1,023,615	996,103	27,512
Library	1,456,116	1,468,116	1,445,315	22,801
Non-departmental	61,100	224,100	-	224,100
Contingencies	750,000	445,500	-	445,500
Total expenditures	<u>19,439,969</u>	<u>19,439,969</u>	<u>18,306,406</u>	<u>1,133,563</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,936,001)</u>	<u>(1,936,001)</u>	<u>(375,957)</u>	<u>1,560,044</u>
Other Financing Sources (Uses)				
Transfers from other funds	1,365,674	1,365,674	1,392,522	26,848
Transfers to other funds	(2,126,202)	(2,126,202)	(2,331,333)	(205,131)
Total other financing sources (uses)	<u>(760,528)</u>	<u>(760,528)</u>	<u>(938,811)</u>	<u>(178,283)</u>
Net change in fund balance:	(2,696,529)	(2,696,529)	(1,314,768)	1,381,761
Fund balances - beginning	7,832,741	7,832,741	8,585,117	752,376
Fund balances - ending	<u>\$ 5,136,212</u>	<u>\$ 5,136,212</u>	<u>7,270,349</u>	<u>\$ 2,134,137</u>
Add (deduct):				
Interfund loan			213,784	
Fund balance			<u>\$ 7,484,133</u>	
Reconciliation				
Charges for services, budgetary basis:			\$ 1,336,539	
Transfers from other funds - services provided:			1,182,774	
Charges for services, modified accrual basis:			<u>\$ 2,519,313</u>	
Expenditures, budgetary basis:			\$ 18,306,406	
Changes in accrued payroll and other payroll liabilities:			(298,848)	
Transfers to other funds - services provided:			313,802	
Expenditures, modified accrual basis:			<u>\$ 18,321,360</u>	
Other financing sources (uses), budgetary basis:			\$ (938,811)	
Transfers from other funds - services provided:			(1,182,774)	
Transfers to other funds - services provided:			313,802	
Interfund loan			213,784	
Restatement - Interfund loan (Note IV.K):			(30,000)	
Other financing sources (uses), modified accrual basis:			<u>\$ (1,623,999)</u>	

City of McMinnville, Oregon
Airport Maintenance Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and
Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 263,923	\$ 718,223	\$ 564,425	(153,798)
Charges for services	247,900	247,900	241,031	(6,869)
Miscellaneous	9,100	9,100	12,506	3,406
Total revenues	<u>520,923</u>	<u>975,223</u>	<u>817,962</u>	<u>(157,261)</u>
Expenditures				
Airport:				
Materials and services	429,705	884,005	710,624	173,381
Contingencies	300,000	300,000	-	300,000
Total expenditures	<u>729,705</u>	<u>1,184,005</u>	<u>710,624</u>	<u>473,381</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(208,782)</u>	<u>(208,782)</u>	<u>107,338</u>	<u>316,120</u>
Other Financing Sources (Uses)				
Transfers to other funds	<u>(73,871)</u>	<u>(73,871)</u>	<u>(73,871)</u>	<u>-</u>
Total other financing sources (uses)	<u>(73,871)</u>	<u>(73,871)</u>	<u>(73,871)</u>	<u>-</u>
Net change in fund balances	<u>(282,653)</u>	<u>(282,653)</u>	<u>33,467</u>	<u>316,120</u>
Fund balances, budgetary basis - beginning	811,138	811,138	835,256	24,118
Fund balances, budgetary basis - ending	<u>\$ 528,485</u>	<u>\$ 528,485</u>	<u>\$ 868,723</u>	<u>\$ 340,238</u>
Reconciliation:				
Revenues, budgetary basis			\$ 817,962	
Recognition of prior year deferred revenue			10,232	
Revenues, modified accrual basis			<u>\$ 828,194</u>	
Expenditures, budgetary basis			\$ 710,624	
Transfers to other funds - services provided			73,871	
Expenditures, modified accrual basis			<u>\$ 784,495</u>	
Other financing sources (uses), budgetary basis			\$ (73,871)	
Transfers to other funds - services provided			73,871	
Other financing sources (uses), modified accrual basis			<u>\$ -</u>	

City of McMinnville
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-Type Activities				Governmental Activities
	Enterprise Funds			Internal Service Funds	
	Wastewater Services	Ambulance	Non-major Building		Total
Assets					
Current assets:					
Cash and investments	\$ 17,063,396	\$ 595,388	\$ 688,889	\$ 18,347,673	\$ 1,542,707
Receivables, net of allowance fo uncollectibles	703,959	724,774	70	1,428,803	500
Due from component unit	739,518	-	-	739,518	927
Prepays	4,030	1,962	2	5,994	3,027
Total current assets	<u>18,510,903</u>	<u>1,322,124</u>	<u>688,961</u>	<u>20,521,988</u>	<u>1,547,161</u>
Non-current assets:					
Capital assets:					
Non-depreciable capital assets	1,026,667	2,420	-	1,029,087	-
Depreciable capital assets	101,230,975	1,328,042	381,887	102,940,904	2,270,845
Accumulated depreciation	(45,184,025)	(534,391)	(126,098)	(45,844,514)	(1,738,718)
Total non-current assets	<u>57,073,617</u>	<u>796,071</u>	<u>255,789</u>	<u>58,125,477</u>	<u>532,127</u>
Total assets	<u>75,584,520</u>	<u>2,118,195</u>	<u>944,750</u>	<u>78,647,465</u>	<u>2,079,288</u>
Deferred outflow of resources					
Deferred outflow of resources - pension	<u>268,377</u>	<u>471,449</u>	<u>44,729</u>	<u>784,555</u>	<u>42,048</u>
Liabilities					
Current liabilities:					
Accounts payable	844,532	24,809	4,926	874,267	68,865
Retainage payable	61,561	-	-	61,561	-
Accrued payroll and other payroll liabilities	39,260	70,852	3,116	113,228	8,197
Other liabilities	-	-	-	-	65,297
Unearned revenue	1,300	-	-	1,300	-
Compensated absences	114,292	163,545	10,916	288,753	18,644
Total current liabilities	<u>1,060,945</u>	<u>259,206</u>	<u>18,958</u>	<u>1,339,109</u>	<u>161,003</u>
Non-current liabilities:					
Other post employment benefits	127,714	188,713	23,459	339,886	23,806
Net pension liability	969,535	1,703,150	161,589	2,834,274	154,048
Pension related debt	325,734	572,304	54,421	952,459	54,679
Total non-current liabilities	<u>1,422,983</u>	<u>2,464,167</u>	<u>239,469</u>	<u>4,126,619</u>	<u>232,533</u>
Total liabilities	<u>2,483,928</u>	<u>2,723,373</u>	<u>258,427</u>	<u>5,465,728</u>	<u>393,536</u>
Deferred inflow of resources					
Deferred inflow of resources - pension	<u>229,362</u>	<u>402,913</u>	<u>38,227</u>	<u>670,502</u>	<u>35,196</u>
Net Position					
Net investment in capital assets	57,073,617	796,071	255,789	58,125,477	532,127
Restricted for:					
Building	-	-	437,036	437,036	-
Unrestricted	16,065,990	(1,332,713)	-	14,733,277	1,160,477
Total net position	<u>\$ 73,139,607</u>	<u>\$ (536,642)</u>	<u>\$ 692,825</u>	<u>\$ 73,295,790</u>	<u>\$ 1,692,604</u>

City of McMinnville
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Business-Type Activities				Governmental Activities
	Enterprise Funds				Internal Service Funds
	Wastewater Services	Ambulance	Non-major Building	Total	
Operating Revenues					
Charges for services	\$ 9,166,543	\$ 3,373,134	\$ 393,079	\$ 12,932,756	\$ 1,936,133
Miscellaneous	-	-	-	-	133,251
Total operating revenues	<u>9,166,543</u>	<u>3,373,134</u>	<u>393,079</u>	<u>12,932,756</u>	<u>2,069,384</u>
Operating Expenses					
Personnel services	2,644,601	4,549,333	354,827	7,548,761	534,211
Materials and services	2,484,786	567,433	89,009	3,141,228	1,318,553
Depreciation	2,681,967	8,449	9,721	2,700,137	86,336
Total operating expenses	<u>7,811,354</u>	<u>5,125,215</u>	<u>453,557</u>	<u>13,390,126</u>	<u>1,939,100</u>
Operating income (loss)	<u>1,355,189</u>	<u>(1,752,081)</u>	<u>(60,478)</u>	<u>(457,370)</u>	<u>130,284</u>
Nonoperating Revenues (Expenses)					
Investment earnings	71,661	1,831	2,678	76,170	6,033
Development charges and fees	490,088	-	-	490,088	-
Loss on disposal of capital assets	-	(50,308)	-	(50,308)	-
Other revenue	30,657	79,060	2,673	112,390	-
Total nonoperating revenues (expenses)	<u>592,406</u>	<u>30,583</u>	<u>5,351</u>	<u>628,340</u>	<u>6,033</u>
Income (loss) before contributions and transfers	<u>1,947,595</u>	<u>(1,721,498)</u>	<u>(55,127)</u>	<u>170,970</u>	<u>136,317</u>
Capital Contributions and Transfers					
Capital contributions	159,994	-	-	159,994	-
Transfers from other funds	-	1,150,000	-	1,150,000	-
Transfers to other funds	-	(81,000)	-	(81,000)	-
Total capital contributions and transfers	<u>159,994</u>	<u>1,069,000</u>	<u>-</u>	<u>1,228,994</u>	<u>-</u>
Change in net position	<u>2,107,589</u>	<u>(652,498)</u>	<u>(55,127)</u>	<u>1,399,964</u>	<u>136,317</u>
Total net position - beginning	71,032,018	115,856	747,952	71,895,826	1,556,287
Total net position - ending	<u>\$ 73,139,607</u>	<u>\$ (536,642)</u>	<u>\$ 692,825</u>	<u>\$ 73,295,790</u>	<u>\$ 1,692,604</u>

City of McMinnville, Oregon
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	Wastewater	Ambulance	Building	Total	Internal Service Funds
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 9,301,870	\$ 3,231,359	\$ 393,124	\$ 12,926,353	\$ -
Receipts from interfund services provided	-	-	-	-	1,934,706
Other operating receipts	-	-	-	-	133,251
Payments to suppliers	(2,297,541)	(323,955)	(45,960)	(2,667,456)	(1,391,400)
Payments to employees	(1,847,338)	(3,155,951)	(227,409)	(5,230,698)	(405,429)
Payments for interfund services used	(527,656)	(231,834)	(39,238)	(798,728)	-
Net cash from operating activities	<u>4,629,335</u>	<u>(480,381)</u>	<u>80,517</u>	<u>4,229,471</u>	<u>271,128</u>
Cash Flows From Non-Capital Financing Activities					
Principal paid on pension-related obligations	(21,800)	(38,296)	(3,633)	(63,729)	(3,660)
Other receipts	30,657	79,060	2,673	112,390	-
Transfers from other funds	-	1,150,000	-	1,150,000	-
Transfers to other funds	-	(81,000)	-	(81,000)	-
Net cash from non-capital financing activities	<u>8,857</u>	<u>1,109,764</u>	<u>(960)</u>	<u>1,117,661</u>	<u>(3,660)</u>
Cash Flows From Capital and Related Financing Activities					
Additions to capital assets	(5,303,697)	(214,124)	-	(5,517,821)	(46,692)
Proceeds on the disposition of capital assets	-	7,566	-	7,566	-
Development charges and fees	490,088	-	-	490,088	-
Net cash from capital and related financing activities	<u>(4,813,609)</u>	<u>(206,558)</u>	<u>-</u>	<u>(5,020,167)</u>	<u>(46,692)</u>
Cash Flows From Investing Activities					
Interest received	71,661	1,831	2,678	76,170	6,033
Increase (decrease) in cash and investments	(103,756)	424,656	82,235	403,135	226,809
Cash and investments - beginning	17,167,152	170,732	606,654	17,944,538	1,315,898
Cash and investments - ending	<u>\$ 17,063,396</u>	<u>\$ 595,388</u>	<u>\$ 688,889</u>	<u>\$ 18,347,673</u>	<u>\$ 1,542,707</u>
Reconciliation of Operating Income (Loss) to					
Net Cash From Operating Activities					
Operating income (loss)	\$ 1,355,189	\$ (1,752,081)	\$ (60,478)	\$ (457,370)	\$ 130,284
Adjustments to reconcile operating income (loss)					
to net cash from operating activities:					
Depreciation	2,681,967	8,449	9,721	2,700,137	86,336
Pension expense	775,162	1,361,656	129,134	2,265,952	121,118
Change in current assets and liabilities:					
Receivables	153,318	(141,775)	45	11,588	(1,427)
Due from component unit	(17,991)	-	-	(17,991)	-
Prepays	(1,441)	1,637	(2)	194	(2,490)
Accounts payable	(400,531)	10,007	3,813	(386,711)	31,517
Due to component unit	-	-	-	-	(5,669)
Retainage payable	61,561	-	-	61,561	-
Compensated absences	6,690	(3,366)	(2,167)	1,157	4,637
Other post employment benefits	13,471	21,926	1,656	37,053	2,892
Accrued payroll and other payroll liabilities	1,940	13,166	(1,205)	13,901	135
Other liabilities	-	-	-	-	(96,205)
Unearned revenue	-	-	-	-	-
Net cash from operating activities	<u>\$ 4,629,335</u>	<u>\$ (480,381)</u>	<u>\$ 80,517</u>	<u>\$ 4,229,471</u>	<u>\$ 271,128</u>
Non-Cash Investing, Capital, and Financing Activities					
Capital asset contributions from developers	\$ 159,994	\$ -	\$ -	\$ 159,994	\$ -

The notes to the financial statements are an integral part of this statement.



NOTES TO BASIC FINANCIAL STATEMENTS

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City of McMinnville, Oregon
Notes to Basic Financial Statements
Year Ended June 30, 2016

I. Summary of Significant Accounting Policies

The financial statements of the City of McMinnville, Oregon (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). GAAP statements require the application of all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. *Governmental Activities*, which are normally supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from a legally separate *component unit* for which the primary government is financially accountable.

B. Reporting Entity

1. Primary Government

The City of McMinnville, Oregon (City), an Oregon municipal corporation, is organized under the general laws of the State of Oregon and the provisions of the *McMinnville City Charter*. The City's council-manager form of government provides for a governing body, or legislative branch, consisting of the Mayor and a six-member City Council. The Mayor and City Council appoint a City Manager who, along with the City department heads, form a management team to lead and direct the administrative and service functions of the City and carry out City Council policy.

The accompanying basic financial statements present the City and its component units, McMinnville Water and Light Department (Department) and McMinnville Urban Renewal Agency (Agency). The Department is a discretely presented component unit and as such is reported in a separate column in the government-wide financial statements to emphasize the Department's separate enterprise operations. The City and the Department have June 30th fiscal year ends.

Various other governmental agencies and special service districts provide services within the City's boundaries. However, the City is not financially accountable for any of these entities and accordingly, their financial information is not included in these basic financial statements.

2. Blended Component Unit

In accordance with GASB Statement No. 61, the activities of the McMinnville Urban Renewal Agency (the Agency) are included in the City's financial statements as a blended component unit. The Agency is a legally separate entity, created in July 2013, which is governed by a board comprised of the City Council, as stipulated in the bylaws. The Council has the ability to impose its will on the Agency as determined on the basis of budget adoption, taxing authority, and funding. The purpose of the Agency is to undertake urban renewal projects and activities pursuant to the City's downtown and NE Gateway District redevelopment plans. The financial results of the Agency are reported herein as one debt service fund and one special revenue fund. The Agency also prepares a separate component unit financial report which may be obtained from the Agency's administrative offices at 230 NE Second Street, McMinnville, Oregon 97128.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

3. Discretely Presented Component Unit

The Department, which operates under the provisions of *Chapter X* of the *McMinnville City Charter*, is reported as a discretely presented component unit enterprise fund type. The Department provides electricity and water to residential and commercial customers in the city limits and adjacent areas of McMinnville, Oregon. The Department's governing board, the five-member Water and Light Commission, appoints a General Manager who is responsible for the day-to-day operations of the Department.

The Department is presented as a discretely presented component unit as the City's Mayor appoints and the City Council affirms all members of the Department's Water and Light Commission. While the Department operates as a separate financial entity, the City receives significant franchise fee payments from the Department based on a percentage established by the City Council.

Financial statements for the Department may be obtained at the McMinnville Water and Light Department, Administrative Office, 855 Marsh Lane, McMinnville, Oregon 97128.

C. Basic Financial Statements

1. Government-Wide Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements present information about the primary government and its component units. The effect of interfund activity has been removed from these statements except for interfund services provided and used between funds which, if eliminated, would distort the direct costs and program revenues reported for the various functions. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* presents information on all of the City's assets and deferred outflows, and liabilities and deferred inflows, with the difference between the two reported as net position.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from a function or segment or are otherwise directly affected by it; 2) operating grants and contributions that are restricted to meeting requirements of a particular function or segment; and 3) capital grants and contributions that are restricted to meeting requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

2. Fund Financial Statements

Fund financial statements present information at the individual fund level. Funds are classified and summarized as governmental, proprietary, or fiduciary type. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are combined into a single column in the fund financial statements and are detailed in the supplemental information. Internal service funds are also combined into a single column in the fund financial statements and are detailed in the supplemental information. The City does not report any fiduciary funds.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

D. Measurement Focus and Basis of Accounting

Government-wide financial statements and proprietary fund financial statements are presented using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Capital assets are capitalized and depreciated and City debt is reported as a liability with premiums and discounts amortized over the life of the debt.

Governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both *measurable and available*. *Measurable* means the amount of the transaction can be determined and revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of year end. Property taxes, franchise fees from the Department, assessment liens, and state shared revenues are susceptible to the year-end 60-day accrual. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

An unavailable revenue deferred inflow arises on the balance sheets of the governmental funds when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes not deemed available to finance operations of the current period. In the government-wide statement of activities, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the deferred inflow created on the balance sheets of the governmental funds for unavailable revenue, is eliminated.

Similar to the way its revenues are recorded, governmental funds only record those expenditures that affect current financial resources. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. In the government-wide financial statements, however, with a full accrual basis of accounting, all expenses affecting the economic resource status of the government are recognized.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. This reconciliation is part of the basic financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

E. Financial Statement Presentation

The financial transactions of the City are recorded in individual funds. A fund is an independent accounting entity with a self-balancing set of accounts comprised of assets, liabilities, deferred inflows/outflows of resources, fund balances, revenues, and expenditures. Fund accounting segregates resources according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

Accounting principles generally accepted in the United States of America (GAAP) set forth minimum criteria for the determination of major funds. The City elected to include the Airport Maintenance fund as major funds due to community interest.

The City reports the following major governmental funds:

- General Fund – is the City’s primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund. Principal sources of revenue are property taxes; licenses and permits, which includes franchise fees; and intergovernmental revenues. Expenditures are for police, municipal court, fire, parks and recreation, park maintenance, library, engineering, planning, administration, and finance.
- Airport Maintenance Fund – is a special revenue fund which accounts for airport property rental income committed for operations and Federal Aviation Administration (FAA) grants restricted for airport improvement projects.
- Debt Service Fund – accounts for property taxes levied for payment of principal and interest on general obligation bonds.
- Transportation Fund – accounts for the acquisition and construction of major capital projects related to highways and roads.

Additionally, the City reports non-major funds within the governmental classification which include the following fund types:

- Special Revenue Funds – account for revenue sources that are restricted or committed to expenditures for specific purposes.
- Capital Projects Funds – account for the acquisition and construction of major capital projects other than those being financed by proprietary funds.
- Debt Service Fund – accounts for urban renewal tax increment revenue and payment of principal and interest on urban renewal debt.

The City reports the following major enterprise funds:

- Wastewater Fund – combines budgetary basis Wastewater Services Fund and Wastewater Capital Fund for full accrual presentation.
- Wastewater Services Fund – accounts for charges for services to support wastewater operations and rate payer transfer to the Wastewater Capital Fund.
- Wastewater Capital Fund – accounts for sanitary sewer system development charges used for major sanitary sewer system construction projects and transfers from the Wastewater Services Fund supporting debt service and major capital projects.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

- Ambulance Fund – accounts for emergency medical services revenues, the General Fund operating support, and related expenses.

The City reports one non-major enterprise fund, the Building Fund.

The City also reports internal service funds within the proprietary fund type. The City's internal service funds include a fund which accounts for the City's property, liability, and workers' compensation insurance and a fund which accounts for computer support, including personnel services, repairs and maintenance, and software and hardware purchases.

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance

1. Cash and Investments

Cash and investments, including restricted cash and investments, consist of cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and the State of Oregon Local Government Investment Pool deposits. Investments in the LGIP are stated at share value, which approximates fair value, and is the value at which the shares can be withdrawn

The LGIP is administered by the Oregon State Treasury. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any public funds. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP.

The City's investment policy, adopted by the City Council, essentially mirrors the requirements of the Oregon Revised Statutes. Currently, the City's investment portfolio consists of investments in the LGIP and a Public Money Market Savings account.

Investments are stated at fair value. Fair value is based on current market prices. Changes in the fair value of investments are recognized as revenue. GASB Statement 72, *Fair Value Measurement and Application*, which was implemented by the City in the 2015-16 fiscal year, provides a fair value hierarchy that prioritized the inputs for valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). There was no material impact to the financial statements caused by the implementation of GASB Statement 72.

2. Receivables and Payables

Transactions between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year, as well as all other outstanding balances between funds or between the primary government and its component unit are referred to as "due to", "advance to" or "due from", "advance from" other funds or component unit. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Property taxes are assessed as of January 1 and become a lien as of July 1 on all taxable property. Property taxes are due on November 15. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due or two-thirds of the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

In the government-wide financial statements, property taxes are recognized as revenue in the year for which they are levied. In the fund financial statements, property taxes receivable which have been collected within 60 days subsequent to year-end are considered *measurable* and *available* and are recognized as revenues. All other property taxes receivable are offset by deferred inflows of resources as they are deemed unavailable to finance operations of the current period.

In the government-wide financial statements and in the proprietary fund financial statements, an allowance for uncollectible accounts is recorded in business-type activities for ambulance transport charges and in the Department. No allowance for uncollectible accounts is recorded for sewer charges as uncollectible accounts are deemed immaterial. No allowance for uncollectible accounts is considered necessary in governmental activities as receivables either become property liens when past due or are considered immaterial.

Receivables of the proprietary fund types and the Department are recorded as revenue when earned. Accounts receivables in the Department also include estimated revenues, that are accrued for power and water deliveries not yet billed to customers from meter reading dates prior to month end (unbilled revenue) and are reversed in the following year when the billings occur. In the Department, the allowance for uncollectible accounts is determined by considering a number of factors, including the length of time trade accounts receivable are past due, the customer's previous loss history, the customer's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. In the Ambulance Fund, a collection percentage is calculated based on payments as a percentage of total charges. To estimate the allowance for uncollectible accounts, the collection percentage is applied to the year-end accounts receivable balance.

3. Inventories and Prepaid Items

Inventories of the Department are valued at the lower of average cost or market and charged against operations or construction in progress as used.

In both government-wide and fund financial statements, certain payments to vendors reflect costs applicable to future City accounting periods and are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Restricted Assets

Certain cash and investments are restricted, including unspent proceeds from bond and other debt issues, and certain monies received for capital improvements.

5. Capital Assets

In the government-wide financial statements, capital assets include property, plant, equipment, infrastructure assets (streets, traffic lights, storm drain, and sanitary sewer), and intangible assets (easements and land rights) and are reported in the applicable governmental activity, business-type activity, or component unit columns. In the governmental fund financial statements, capital assets are charged to expenditures as purchased; while in the proprietary fund financial statements, capital assets are capitalized when purchased.

Capital assets are defined by the City as assets with an initial cost of \$10,000 or more and an estimated useful life of more than one year. With respect to the Department, utility plant is stated at cost and includes property, plant, and equipment with an initial cost of \$5,000 or more and an estimated useful life of more than one year. Cost generally includes materials, labor and an allocation of overhead costs. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets' lives are not capitalized. Assets are recorded at historical cost or estimated historical cost if historical cost is not available. Interest incurred during the construction phase of proprietary fund type's capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

All easements and infrastructure assets, including those acquired before the fiscal year ended June 30, 1980, have been capitalized. Estimated historical cost has been determined by estimating current cost and trending back to the acquisition date using an applicable cost index. Donated capital assets are recorded at estimated fair market value at the date of donation.

Land, land rights, and easements have an indefinite life and therefore are not amortized. Exhaustible assets of the City and the Department are depreciated using the straight-line method.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
City:	
Land improvements	20
Buildings and building improvements	20 – 50
Computer equipment	4 – 5
Machinery and equipment	5 – 15
Vehicles	5 – 10
Computer infrastructure	10 – 50
Street and sewer infrastructure	20 – 50
Department:	
Office and other equipment	10 – 14
Transportation equipment	5 – 10
Electricity and water infrastructure	20 – 100

6. Renewable Energy Certificates

Renewable Energy Certificates (REC or Certificate) are a unique representation of the environmental, economic, and social benefits associated with the generation of electricity from renewable energy sources that produce qualifying electricity. One Certificate is created in association with the generation of one megawatt-hour (MWh) of qualifying electricity. While a Certificate is always directly associated with the generation of one MWh of electricity, transactions for Certificates may be conducted independently of transactions for the associated electricity.

The Department receives RECs as part of the purchase agreement with Bonneville Power Administration for buying Green Energy Premium Wind. The RECs are available for sale at market price. The Department also receives RECs as part of the renewable energy purchased from Waste Management Renewable Energy (WMRE). These RECs are also available for sale at market prices or are banked to satisfy future Oregon Renewable Portfolio Standard obligations.

7. Compensated Absences

The City's and Department's policies permit employees to accumulate earned but unused vacation, compensatory time, and sick leave benefits. No liability is reported for unpaid accumulated sick leave benefits as sick leave benefits do not vest. In the government-wide and proprietary fund financial statements, all vacation and compensatory time is accrued when incurred. Historically, compensated absences used during the year exceed the year-end balance; therefore management considers all compensated absences to be current liabilities. For governmental activities, compensated absences are generally liquidated by the fund that incurred the liability. The significant fund incurring these liabilities is the General Fund. In the governmental fund financial statements, a liability for compensated absences is reported only if they have matured and thus become due.

8. Pension Obligations

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions – an*

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

Amendment of GASB Statement 27, the City's net pension (asset)/liability, deferred inflows and outflows of resources related to pensions, and pension expense have been determined on the same basis as they are reported by Oregon Public Employees Retirement System (OPERS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Other Postemployment Benefit Obligations

In accordance with GASB Statement 45, *Accounting and Financial Reporting by Employers for the Postemployment Benefits Other Than Pensions* (OPEB), the City's net OPEB obligation is recognized as a long-term liability in the government-wide financial statements, the amount of which is actuarially determined. The annual required contribution is recognized on an accrual basis in accordance with actuarial standards.

10. Long-Term Debt

In the government-wide and proprietary fund type financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Premiums, discounts and deferred amounts on refunding are amortized over the life of the related debt issue. Long-term debt payable is reported net of the related unamortized premium or discount. Issuance costs are reported as period costs in the year of issue.

In the governmental fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums are also reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

11. Pensions

A pension liability is reported in government-wide and proprietary fund financial statements as a liability in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Interest and amortization are reported as pension expense in the government wide statement of activities for governmental and business-type activities, and as operating expense in the proprietary funds.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows or resources related to pension, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two types of deferred inflows that qualify for reporting in this category. *Unavailable revenue* from property taxes is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The governmental funds report unavailable revenues from two sources: property taxes and donations where a timing requirement has not been

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

met. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also reports deferred amounts related to pension. This amount is deferred and recognized as an inflow of resources in the period when the City recognizes pension income. Deferred inflows are included in the government-wide Statement of Net Position and the proprietary funds State of Net Position.

13. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government wide and proprietary fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

14. Fund Balance

In the governmental fund financial statements, fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepayments.

Fund balance is reported as restricted when the constraints placed on the use of the resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority are reported as committed fund balances. The City reports fund balances as committed when the City Council passes a resolution that places specific constraints on how the resources may be used. The City Council can modify or rescind the resolution at any time through passage of an additional resolution.

Amounts that are constrained by the City's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the City Council approves certain amounts during the adoption of the annual budget.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund. This classification is also used to report deficit fund balance amounts in other governmental funds.

The City considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. For unrestricted fund balance amounts, the City considers that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

A formal fund balance policy was adopted by the City Council in fiscal year 2011-12. The fund balance policy establishes a goal for General Fund unassigned fund balance levels and is intended to serve as a guide for important budgetary decisions. The policy recommends that cash flow needs, bond credit ratings, unforeseen emergencies, and capital reserves should be considered in determining the minimum fund balance level. Generally, 25 percent of General Fund annual

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

budgeted expenditures provides an adequate cash reserve to cover operating expenditures prior to the receipt of current year property tax revenues. The policy does not stipulate the conditions under which the fund balance may fall below the minimum, but, rather, establishes a target amount that the City believes should be maintained to provide a reasonable level of assurance that day-to-day operations can continue if revenues are insufficient to cover expenditures.

G. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows, the disclosure of contingent assets, liabilities and deferred inflows at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

All City governmental funds adopt annual budgets on a budgetary basis of accounting, which is similar to the modified accrual basis of accounting with certain differences. All City proprietary funds adopt annual budgets on a budgetary basis of accounting, which is similar to the modified accrual basis of accounting, with certain full accrual basis adjustments that are acceptable under State of Oregon Budget Law. Budget to modified accrual or budget to full accrual reconciling items are listed on the individual fund Statements/Schedules of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual. All annual appropriations lapse at June 30th.

The City begins its budgeting process by appointing Budget Committee members in January of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the proposed budget in May. Public notices of the approved budget and City Council public hearing are generally published in May and June with the budget public hearing held in June. The City Council adopts the budget, makes appropriations, and declares the operating and debt service property tax levies and tax rate no later than June 30th.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. For the General and Wastewater Services Funds, levels of budgetary control are established at the department level. For all other funds, appropriations are established at the personal services, materials and services, capital outlay, debt service, operating contingencies, and other requirements level.

All changes and amendments to the budget require the approval of the City Council. Supplemental budgets less than 10 percent of a fund's original budget may be adopted by the City Council at a regular City Council meeting. A supplemental budget greater than 10 percent of a fund's original budget requires publication, a hearing before the public, and approval by the City Council. One General Fund supplemental budget related to the receipt of grant funds was approved by the City Council during the current fiscal year. Original and supplemental budgets may be modified by the use of appropriation transfers between levels of control. Such transfers also require approval by the City Council. The City Council approved several appropriation transfers during the fiscal year ending June 30, 2016. The Statements/Schedules of Revenues, Expenditures, and Changes in Fund Balance, Budget and Actual present both the budget as originally adopted and the budget after adjustments for all legally authorized revisions.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

Transactions between the General Fund and Urban Renewal funds were budgeted as “inter-agency” transactions, per guidance received from the Oregon Department of Revenue, regarding local budget law statutes. For purposes of these financial statements, the transactions are presented as interfund transfers. Due to this difference in presentation, an over budget variance of \$0.2 million occurred in the General Fund transfers out appropriation category.

The Department is exempt from Oregon Local Budget Law, pursuant to Oregon Revised Statutes (ORS) 294.316, due to being a municipal public utility operating under a separate commission and not receiving ad valorem tax support.

III. Detailed Notes on Accounts

A. Cash and Investments

Oregon Revised Statutes authorize the City to invest in general obligations of the U.S. Government and its agencies; certain bonded obligations of Oregon municipalities; bank repurchase agreements; certificates of deposit; bankers’ acceptances; the State of Oregon Local Government Investment Pool; and certain corporate indebtedness, which includes only the four highest ratings by the ratings agencies.

The State of Oregon Local Government Investment Pool (Pool) is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the Pool’s investment policies. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool. These funds must be invested, and the investments managed as a prudent investor would, exercising reasonable care, skill, and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board which establishes diversification percentages and specifies the types and maturities of investments. The Oregon Audits Division audits the Pool annually. The Division’s report on the Pool as of and for the year ended June 30, 2016 was unmodified. The fair value of the City’s position in the Pool at June 30, 2016 was 100 percent of the value of the Pool shares. The Pool does not have a credit quality rating by a nationally recognized statistical rating organization and is therefore unrated.

At year end, the City’s total book balance for deposits with financial institutions was \$9,181,607 and the bank balance was \$10,034,700. The City’s bank balances were covered by \$250,000 Federal Depository Insurance. Of the Department’s bank balances, \$500,000 was covered by Federal Depository Insurance. As required by Oregon Revised Statutes, deposits in excess of federal depository insurance were held at a qualified depository for public funds. All qualified depositories for public funds are included in the multiple financial institution collateral pool that is maintained by and in the name of the Office of the State Treasurer.

At June 30, 2016, the City’s cash and investment balances were as follows:

Cash held in city offices	\$ 3,385
Deposits with financial institutions	9,181,607
Cash with fiscal agent	572,141
Oregon State Local Government Investment Pool - City’s general account	25,094,876
Oregon State Local Government Investment Pool - Park System Improvement Bond proceeds	827,274
Oregon State Local Government Investment Pool - Transportation Bond proceeds	15,967,205
Total City cash and investments	\$ 51,646,488

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

The City's cash and investments are reflected in the government-wide statement of net position as follows:

	Governmental Activities	Business-type Activities	Total
Cash and investments			
Unrestricted	\$ 14,167,256	\$ 18,347,673	\$ 32,514,929
Restricted	19,131,559	-	19,131,559
Total cash and investments	<u>\$ 33,298,815</u>	<u>\$ 18,347,673</u>	<u>\$ 51,646,488</u>

At June 30, 2016, the Department's cash and investment balances were as follows:

	Fair Value
Cash on hand	\$ 1,700
Deposits with financial institutions	633,037
Oregon State Local Government Investment Pool	37,820,849
Total Department cash and investments	<u>\$ 38,455,586</u>

Custodial credit risk is the risk that, in the event of failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy relating to custodial credit risk. At June 30, 2016, the City does not have investments exposed to custodial credit risk.

The City's investment policy allows 100 percent of the City's investments to be invested in the Pool. As a means to limit exposure to fair value losses arising from changes in interest rates, the City's investment policy requires that all investments other than the Pool mature in less than one year.

B. Receivables

1. Government Funds and Governmental Activities

Receivables as of year-end for the City's governmental individual major, non-major funds in the aggregate and internal service funds are as follows:

Receivables:	General	Airport Maintenance	Trans- portation	Debt Service	Total Non- Major	Total Governmental Funds	Internal Svc Funds	Government Activities
Accounts	\$ 503,150	\$ 182,032	\$21,613	-	\$ 492,210	\$ 1,199,005	\$ 500	\$ 1,199,505
Fire Fees	875	-	-	-	-	875	-	875
Property Taxes	1,159,823	-	-	183,523	6,286	1,349,632	-	1,349,632
Cash with county	141,042	-	-	29,919	1,233	172,194	-	172,194
Assessments	1,829	-	-	-	37,550	39,379	-	39,379
Total	<u>\$1,806,719</u>	<u>\$ 182,032</u>	<u>\$21,613</u>	<u>\$ 213,442</u>	<u>\$ 537,279</u>	<u>\$ 2,761,085</u>	<u>\$ 500</u>	<u>\$ 2,761,585</u>

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

In the government-wide financial statements, property tax revenue is reported net of discounts, adjustments, and interest as follows:

	<u>Total Governmental</u>
Gross Revenue	\$ 15,205,509
Less: discounts, etc.	(453,625)
Net revenue	<u>\$ 14,751,884</u>

In the fund financial statements, governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds report revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, unavailable revenue at the fund statement level includes delinquent property taxes, delinquent special assessments, and delinquent fire fees.

Unearned revenue at the government-wide level includes operating funds received but not earned. At the end of the current fiscal year, unearned revenue at the government-wide level mainly consists of an airport land lease credit and fees for summer recreation programs.

2. Business-Type Activities

Receivables as of year-end for the City's individual major enterprise funds are as follows:

	<u>Wastewater</u>	<u>Ambulance</u>	<u>Building</u>	<u>Business-type Activities</u>
Accounts receivable	\$ 703,959	\$ 848,674	70	\$ 1,552,703
Less: allowance for uncollectable accounts	-	(123,900)	-	(123,900)
Net receivables	<u>\$ 703,959</u>	<u>\$ 724,774</u>	<u>\$ 70</u>	<u>\$ 1,428,803</u>

Ambulance revenue is reported net of uncollectible amounts and direct medical insurance contractual write-off's as follows:

Gross revenue	\$ 3,702,476
Less: medical write-offs	(329,342)
Net revenue	<u>\$ 3,373,134</u>

3. Non-Cancellable Leases

The City leases certain property with an approximate net capital cost of \$1,604,000 under long-term operating leases. For fiscal year ended June 30, 2016 total depreciation expense was \$52,450. As of June 30, 2016, accumulated depreciation was \$1,277,000.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

The minimum future payments to be received under these non-cancellable leases are approximately as follows:

Year Ending June 30	
2017	180,200
2018	183,400
2019	148,000
2020	43,200
2021	38,500
Thereafter	<u>684,300</u>
Total	<u>\$ 1,277,600</u>

4. Department

In the government-wide financial statements, receivables as of year-end for the Department are as follows:

Accounts and notes receivable	\$ 5,204,804
Less: allowance for uncollectibles	<u>(42,031)</u>
Net receivables	<u>\$ 5,162,773</u>

C. Capital Assets

In the government-wide financial statements, the City's governmental activities' capital asset activity for the year ended June 30, 2016 is illustrated in the following table. Activity includes additions, dispositions, annual depreciation expense and adjustments.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable:				
Land	\$ 28,374,346	\$ -	\$ -	\$ 28,374,346
Easements	1,520,348	362,244	-	1,882,592
Public Art	193,235	-	-	193,235
Construction in progress	495,367	3,551,328	(2,125,906)	1,920,789
Total non-depreciable	<u>30,583,296</u>	<u>3,913,572</u>	<u>(2,125,906)</u>	<u>32,370,962</u>
Depreciable:				
Land Improvements	18,520,919	40,468	-	18,561,387
Buildings	32,711,584	-	-	32,711,584
Machinery and equipmen	6,055,651	79,753	-	6,135,404
Vehicles	4,472,785	649,140	(183,500)	4,938,425
Infrastructure	52,519,455	2,037,344	-	54,556,799
Total depreciable	<u>114,280,394</u>	<u>2,806,705</u>	<u>(183,500)</u>	<u>116,903,599</u>
Accumulated depreciation:				
Land Improvements	(9,437,588)	(787,280)	-	(10,224,868)
Buildings	(17,572,266)	(911,313)	-	(18,483,579)
Machinery and equipmen	(4,771,936)	(311,375)	-	(5,083,311)
Vehicles	(3,085,343)	(263,673)	169,000	(3,180,016)
Infrastructure	<u>(36,141,321)</u>	<u>(1,153,286)</u>	<u>-</u>	<u>(37,294,607)</u>
Total accumulated depreciation	<u>(71,008,454)</u>	<u>(3,426,927)</u>	<u>169,000</u>	<u>(74,266,381)</u>
Governmental activities capital assets, net	<u>\$ 73,855,236</u>	<u>\$ 3,293,350</u>	<u>\$ (2,140,406)</u>	<u>\$ 75,008,180</u>

At June 30, 2016, the City's government-wide governmental activities construction in progress consisted of costs related to park system and street improvement bond projects.

Depreciation expense was charged to governmental activities functions as follows:

General government	\$ 152,070
Community development	38,802
Public safety:	
Police	493,635
Fire	254,645
Emergency communications	33,504
Highways and streets	1,159,260
Culture and recreation:	
Parks and recreation	791,825
Library	53,505
Airport	363,345
Internal service fund capital asset depreciation in the government- wide financial statements is charged to the various functions based on their usage of the assets.	<u>86,336</u>
Total governmental activities depreciation expense	<u>\$ 3,426,927</u>

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

In the government-wide financial statements and proprietary fund financial statements, the City's business-type activities' capital asset activity for the year ended June 30, 2016 is illustrated in the following table. Activity includes additions, dispositions, annual depreciation expense, and adjustments.

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable:				
Land	\$ 785,223	\$ -	\$ -	\$ 785,223
Easements	241,444	-	-	241,444
Construction in progress	9,124,985	3,451,968	(12,574,533)	2,420
Total non-depreciable	<u>10,151,652</u>	<u>3,451,968</u>	<u>(12,574,533)</u>	<u>1,029,087</u>
Depreciable:				
Land Improvements	84,445	-	-	84,445
Buildings	41,862,272	12,434,779	-	54,297,051
Machinery and equipment	2,336,043	75,000	-	2,411,043
Vehicles	1,917,593	213,415	(152,445)	1,978,563
Infrastructure	42,093,323	2,076,479	-	44,169,802
Total depreciable	<u>88,293,676</u>	<u>14,799,673</u>	<u>(152,445)</u>	<u>102,940,904</u>
Accumulated depreciation:				
Land Improvements	(67,066)	(3,921)	-	(70,987)
Buildings	(30,004,897)	(1,594,864)	-	(31,599,761)
Machinery and equipment	(1,269,543)	(164,278)	-	(1,433,821)
Vehicles	(1,136,994)	(44,611)	95,277	(1,086,328)
Infrastructure	(10,761,154)	(892,463)	-	(11,653,617)
Total accumulated depreciation	<u>(43,239,654)</u>	<u>(2,700,137)</u>	<u>95,277</u>	<u>(45,844,514)</u>
Business-type activities capital assets, net	<u>\$ 55,205,674</u>	<u>\$ 15,551,504</u>	<u>\$ (12,631,701)</u>	<u>\$ 58,125,477</u>

At June 30, 2016, the City's business-type activities construction in progress consisted of costs related to a remodel project at the Fire Hall, with costs allocated to the Fire Department and the Ambulance Fund.

Depreciation expense was charged to business-type activities functions as follows:

Wastewater	\$ 2,681,967
Ambulance	8,449
Building	<u>\$ 9,721</u>
Total business-type activities depreciation expense	<u>\$ 2,700,137</u>

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

The Department's capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non-depreciable:				
Land	\$ 4,429,019	\$ 2,831,850	\$ -	\$ 7,260,869
Construction in progress	8,310,900	2,448,413	(9,868,990)	890,323
Total non-depreciable	<u>12,739,919</u>	<u>5,280,263</u>	<u>(9,868,990)</u>	<u>8,151,192</u>
Depreciable:				
Structures and improvements	8,875,791	16,509	-	8,892,300
Water treatment plant	34,735,996	-	-	34,735,996
Supply and distribution systems	106,636,111	10,151,753	(2,374,691)	114,413,173
Furniture and equipment	2,588,455	68,150	(12,848)	2,643,757
Transportation equipment	2,956,166	146,405	(141,531)	2,961,040
Total depreciable	<u>155,792,519</u>	<u>10,382,817</u>	<u>(2,529,070)</u>	<u>163,646,266</u>
Accumulated depreciation:				
Electric plant	(22,232,422)	(1,718,835)	1,666,987	(22,284,270)
Water plant	(23,217,101)	(1,491,320)	54,326	(24,654,095)
Vehicles	(1,636,453)	(243,128)	133,665	(1,745,916)
Total accumulated depreciation	<u>(47,085,976)</u>	<u>(3,453,283)</u>	<u>1,854,978</u>	<u>(48,684,281)</u>
Governmental activities capital assets, net	<u>\$ 121,446,462</u>	<u>\$ 12,209,797</u>	<u>\$ (10,543,082)</u>	<u>\$ 123,113,177</u>

For the Department, accumulated depreciation information for beginning balances, increases, decreases, and ending balances by major class of capital assets is unavailable.

D. Interfund Balances and Transfers

The City's General Fund receives a monthly franchise fee from the Department. The Department bills and collects the City's sewer user charges which are turned over to the City on a monthly basis. The City and Department also work together on common projects which result in miscellaneous reimbursements between the two entities.

The following due to/due from balances between the primary government and its component unit resulted from the routine monthly cycle timing between the dates that payments between entities were made and received:

Receivable Entity	Payable Entity	Amount
Major governmental fund - General Fund	Department	\$ 108,560
Major enterprise fund - Wastewater Fund	Department	739,518
Internal service Fund	Department	927
		<u>\$ 849,005</u>

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Transfers to General Fund from:	
Non-major governmental funds	\$ 188,401
Total transfers to General Fund	<u>\$ 188,401</u>
Transfers to Debt Service from:	
Non-major governmental funds	\$ 100,000
Total transfers to Debt Service Fund	<u>\$ 100,000</u>
Transfers to Transportation Fund from:	
Non-major governmental funds	\$ 100,000
Total transfers to Transportation Fund	<u>\$ 100,000</u>
Transfers to non-major governmental funds from:	
General Fund	\$ 678,747
Ambulance Fund	81,000
Total transfers to non-major governmental funds	<u>\$ 759,747</u>
Transfer to Ambulance Fund from:	
General Fund	\$ 1,150,000
Total transfer to Ambulance Fund	<u>\$ 1,150,000</u>

Transfers are used to: 1) move allocations of system development charges from the receiving funds to the debt service fund; 2) move allocations of revenues from the receiving funds to support specific capital projects or programs.

Advances to/from other funds

Receivable Fund	Payable fund	
General Fund	Non major governmental funds	<u>\$216,656</u>

The amount payable to the General Fund relates to preliminary costs in the Urban Renewal funds and project design for an urban renewal street improvement. The amount payable is expected to be repaid over three years, as follows:

Year ending June 30	
2017	59,333
2018	64,333
2019	64,334
	<u>\$ 188,000</u>

E. Renewable Energy Certificates (REC) – Department

As of June 30, 2016, the Department has 196,135 RECs banked in its Western Renewable Energy Generation Information System (WREGIS) account, valued at \$4.69 per REC, for a total value of \$919,494. The value of these RECs is based on management's estimate of fair value.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

The Department also holds 229,192 in its WREGIS account for RECs received from Waste Management Renewable Energy. As these RECs are internally generated, they have no corresponding value on the statement on net position at June 30, 2016.

F. Regulatory Asset - Conservation Charges - Department

In November 2008, the Department entered into a long-term power purchase agreement with the Bonneville Power Administration. The Commission also authorized conservation funding in order to secure a more favorable rate structure over the delivery period of 17 years. The Department will amortize these expenditures over the 17 year period which commenced October 1, 2011.

G. Long-Term Liabilities

1. General Obligation Bonds – Governmental Activities

General obligation bonds have been issued for governmental activities to provide funds for the acquisition and construction of major capital facilities including park system and transportation improvements and new public safety and civic hall buildings.

The Park System Improvement and Transportation Bonds are subject to federal arbitrage rebate calculations, although there is no contingent rebatable arbitrage liability as of June 30, 2016 related to these bonds.

The Public Safety and Civic Buildings Bonds are subject to federal arbitrage rebate calculations. The contingent rebatable arbitrage liability as of June 30, 2016 is \$6,684.

Interest rates are associated with respective maturities and do not represent variable rate debt.

Debt Issuance and Advance Refunding

In April, 2015 the City issued \$23,320,000 in general obligation bonds with interest rates ranging from 2.5% to 5.0%. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

Proceeds of \$16,085,000 and premium of \$2,153,688 are to be used to finance the construction, expansion and improvement of streets within the City.

The remaining proceeds were used to advance refund \$8,005,000 of outstanding 2006 Public Safety and Civic Buildings bonds which had interest rates ranging from 3.75% to 5.50%. The net proceeds related to the refunding of \$8,446,899, including \$1,258,436 in premium and after \$73,094 in underwriting fees and other issuance costs, were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded debt. As a result, the 2006 Public Safety and Civic Buildings bonds are considered partially defeased and the liability for that portion has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$441,898. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The City advanced refunded the 2006 Public Safety and Civic Buildings bonds to reduce its total debt service payments over 12 years by \$603,411 and to obtain an economic gain (difference between the present value of the debt service payments on old and new debt) of \$540,896.

2. Full Faith and Credit Obligations

Full Faith and Credit obligations consist of a loan to purchase fire equipment and a loan from Oregon Department of Transportation related to the Newberg-Dundee Bypass. The fire equipment is subject to interest at 3.1% through June 30, 2024 at which time the interest rate will be adjusted based on current market rates. The loan may be prepaid without penalty after June 30, 2021.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

Annual debt service requirements to maturity for governmental activities, including general obligation bonds and full faith and credit obligations, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 2,535,548	\$ 1,140,121
2018	2,645,443	1,088,376
2019	2,361,571	1,015,498
2020	2,447,860	933,010
2021	2,534,312	844,258
2022-2026	11,591,507	2,834,085
2027-2031	6,160,000	541,550
Total	<u>\$ 30,276,241</u>	<u>\$ 8,396,898</u>

3. Pension Related Debt

In 2001 the City and Department became members of OPERS Local Government Rate Pool (LGRP). Pooling allows separate employers to be part of one group for the purpose of determining employer pension costs and contribution rates. Subsequent to the City joining the LGRP, the Oregon legislature merged the LGRP with the State/Community College Pool, forming the State and Local Government Rate Pool (SLGRP). In 2001, the City elected to become a member of the SLGRP.

Upon joining the LGRP in 2001, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased by interest charges at an assumed interest rate, originally 8%, which was reduced to 7.75% in 2013 and to 7.5% in 2015.

The transition liability is amortized over twenty-five years, ending in December 2027. The government elected to pay the balance owed on the transition liability in October 2016. Additional information on the retirement of the transition liability can be found at Note IV.M.

OPERS did not provide the balance of the transition liability at June 30, 2015. Therefore, the City estimated the balance, as of June 30, 2015, based on historical information provided by OPERS. For June 30, 2016, OPERS provided the balance of the transition liability and the amount the City paid in principal and interest for the fiscal year ending June 30, 2016. The City has recorded the variance between the City's estimate of the June 30, 2015 balance and the actual balance provided by PERS as current year pension expense.

<u>Estimated Balance June 30, 2015</u>	<u>Interest</u>	<u>Payment</u>	<u>Balance June 30 2016</u>	<u>Allocated</u>	
				<u>City</u>	<u>Department</u>
\$ 5,235,109	\$ 218,917	\$ (550,925)	\$ 4,903,101	\$3,616,107	\$1,286,994

For the year ended June 30, 2016, the City and Department recognized approximately \$242,225 and \$86,123, of pension expense respectively, for amortization of this debt.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2016 follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
General obligation bonds:					
Series 2011 - Parks, interest 2.0-4.0%, original issue \$5,590,000, due 2021	\$ 4,005,000	\$ -	\$ (535,000)	\$ 3,470,000	\$ 550,000
Series 2006, Public Safety, interest 3.75-5.5%, original issue \$13,120,000, due 2026	1,255,000	-	(615,000)	640,000	640,000
Series 2015, Public Safety Refunding, 2.5-5.0%, original issue \$7,235,000, due 2030	7,235,000	-	(65,000)	7,170,000	-
Series 2015 Transportation, interest 2.5-5.0%, original issue \$16,085,000, due 2030	16,085,000	-	(310,000)	15,775,000	1,100,000
Full faith and credit obligations:					
2014 Loan, Fire Equipment, interest 3.1-variable% original amount \$1,370,000, due 2021	1,301,406	-	(75,529)	1,225,877	77,888
2013 Loan, Dundee Bypass, interest 2.26% total amount \$3,209,600, due 2036	464,689	1,530,675	-	1,995,364	167,660
Plus: bond issuance premium	3,560,210	-	(282,081)	3,278,129	-
	<u>33,906,305</u>	<u>1,530,675</u>	<u>(1,882,610)</u>	<u>33,554,370</u>	<u>2,535,548</u>
Pension related debt (as restated)	2,845,804	-	(182,156)	2,663,648	68,332
Rebatable arbitrage	11,476	-	(4,792)	6,684	6,684
Other post employment benefits	981,655	110,639	-	1,092,294	-
Total governmental activities	<u>\$ 37,745,240</u>	<u>\$ 1,641,314</u>	<u>\$ (2,069,558)</u>	<u>\$ 37,316,996</u>	<u>\$ 2,610,564</u>
<u>Business-Type Activities</u>					
Pension related debt (as restated)	\$ 1,016,188	\$ -	\$ (63,729)	\$ 952,459	24,397
Other post employment benefits	302,833	37,053	-	339,886	-
Total business-type activities	<u>\$ 1,319,021</u>	<u>\$ 37,053</u>	<u>\$ (63,729)</u>	<u>\$ 1,292,345</u>	<u>\$ 24,397</u>

Internal service funds predominantly serve the governmental funds. Accordingly, internal service funds' long-term liabilities of \$23,806 and \$54,679 for other post-employment benefits and pension related debt are included as part of the totals for governmental activities.

For governmental activities, other post-employment benefits are generally liquidated by the fund that incurred the liability. The significant fund incurring these liabilities is the General Fund.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

H. Fund Balances

Fund balances by classification for the year ended June 30, 2016 were as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Airport</u>	<u>Transportation</u>	<u>Debt Service</u>	<u>Other Government Funds</u>	<u>Total Government Funds</u>
Nonspendable:						
In Form:	\$ 68,332	\$ -	\$ -	\$ -	\$ 4	\$ 68,336
Restricted for:						
Street Maintenance	-	-	-	-	2,107,686	2,107,686
Tourism Promotion	-	-	-	-	151,327	151,327
Capital Projects	-	-	17,445,877	-	1,138,353	18,584,230
Debt Service	-	-	-	1,848,713	149,835	1,998,548
Committed to:				-		
Emergency	-	-	-	-	117,120	117,120
Airport Maintenance	-	868,723	-	-	-	868,723
Assigned to:				-		
LOSAP	647,141	-	-	-	-	647,141
Special Assessments	-	-	-	-	154,888	154,888
Telecommunications	-	-	-	-	1,668	1,668
Unassigned:	6,768,660	-	-	-	(188,784)	6,579,876
Total fund balances	\$ 7,484,133	\$ 868,723	\$ 17,445,877	\$ 1,848,713	\$ 3,632,097	\$ 31,279,543

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

IV. Other Information

A. Risk Management

1. City

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees. The City is covered for comprehensive liability, property, auto liability and physical damage, employer's liability, and workers' compensation insurance through City County Insurance Services (CIS), a public entity risk pool. The pooling agreement does not permit the pool to make additional assessments to its members in the event of unanticipated losses.

For property and liability insurance and for workers' compensation insurance, settlements did not exceed insurance coverage in any of the past three fiscal years.

2. Department

The Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees. The Department is covered for comprehensive liability, property, auto liability and physical damage, employer's liability, and workers' compensation insurance through City County Insurance Services (CIS), a public entity risk pool.

For property and liability insurance, settlements did not exceed insurance coverage in any of the past three fiscal years.

B. Deferred Compensations Plans

The City offers employees two deferred compensation plans and the Department offers employees one deferred compensation plan created in accordance with Internal Revenue Code Section 457. All plan assets are maintained by separate deferred compensation companies and are valued at market. The plans permit employees to defer a portion of their salary until future years. The City does not contribute to the plan. Deferred compensation is not available to participants until termination, retirement, death, or certain unforeseeable emergency. The assets and income of the plans are held in trust for the exclusive benefit of the participants and their beneficiaries and accordingly are not included in the City's or the Department's financial statements. Employees are immediately vested in all contributions to the plan.

For the year ended June 30, 2016 City and Department employee contributions to the plan were \$384,261 and \$307,451, respectively.

C. Other Post-Employment Benefits (OPEB)

1. Post-Employment Healthcare Plan – City

Plan Description

The City does not have a formal post-employment benefits plan for any employee group; however, the City is required by Oregon Revised Statutes 243.303 to provide retirees with group health and dental insurance from the date of retirement to age 65 at the same rate provided to current employees. Governmental Accounting Standards Board *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB Statement 45) is applicable to the City due only to the implicit rate subsidy. This "plan" is a single-employer plan that does not stand-alone, and therefore does not issue its own financial statements.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

Funding Policy

The City's insurance company, City County Insurance Services (CIS), contracts with a third party to bill and collect premiums from retirees, which then pays health and dental insurance premiums for all retirees at the blended rate for each family classification. The required contributions to the plan include the employer's pay-as-you-go amount, an amount paid by retirees and an additional amount calculated to prefund future benefits as determined by the actuary.

For fiscal year ended June 30, 2016, the City contributed \$63,373 consisting of retiree payments. The City has elected to not prefund the actuarially determined future cost amount \$1,432,179.

The required monthly contributions of the plan members for medical, vision and dental coverage were as follows for the year ended June 30, 2016:

	General Service Retirees	Police Retirees	Fire Union Retirees
Employee	\$ 555	\$ 720	\$ 532
Employee & child	1,010	1,319	969
Employee & spouse	1,152	1,505	1,104
Employee & children	1,387	1,795	1,331
Employee & family	1,595	2,067	1,531

Annual OPEB Cost and Net OPEB Obligation

The City's annual other post-employment benefit cost is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation.

Normal Cost	\$ 125,090
Amortization of unfunded actuarial accrued liability (UAAL)	195,466
Annual required contribution (ARC)	320,556
Interest on net OPEB obligation	44,957
Adjustment to ARC	(154,448)
Annual OPEB cost	211,065
Contribution	(63,373)
Increase in Net OPEB obligation	147,692
Net OPEB obligation, beginning of year	1,284,487
Net OPEB obligation, end of year.	1,432,179

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

The City's annual OPEB cost, contribution, percentage of the annual OPEB cost contributed to the plan, and net OPEB obligation for the current year and two preceding years were as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Contribution	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 251,135	\$ 72,147	29%	\$1,108,492
2015	253,233	77,238	31	1,284,487
2016	211,065	63,373	30	1,432,179

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the City and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The results of the August 1, 2014 actuarial valuation were used to prepare GASB Statement 45 accounting results for the fiscal year ending June 30, 2016. In the August 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 2.75% general inflation rate, 3.5% discount rate and a first year healthcare cost trend rate of 5.75%, followed by trends varying between 6.75% and 5%, and finally at 4.75%. The UAAL is being amortized as a level dollar amount over a rolling period of ten years.

2. Post-Employment Healthcare Plan – Department - Plan Description

The Department provides post-employment health benefits, as per a contractual obligation, for certain retirees who were hired prior to August 1, 2005, and who are at least 60 years old and their dependents. The benefits vary depending on the years of service of the retiree. The Department pays 100 percent of all health insurance costs for those employees with over 20 years of service up until the retiree reaches Medicare age. For those employees with over 25 years of service the Department also pays for all health insurance costs of the retiree's spouse until they reach Medicare age and the children of the retiree until they reach the age of maturity. The plan is financed by the Department on a pay-as-you-go basis. Retired employees who do not have 20 years of service may continue to participate in the health insurance plan until they reach Medicare age provided the retired employees pay all insurance premiums. This "plan" is a single-employer plan, which is not a stand-alone plan and therefore does not issue its own financial statements. The Commission is responsible for establishing and amending benefits and funding policies.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

Funding Policy

At June 30, 2016, there were 16 retired employees and spouses receiving health insurance coverage provided by the Department. For fiscal year ended June 30, 2016, the Department incurred \$101,321 of expenses for these health insurance premiums.

Annual OPEB Cost and Net OPEB Obligation

The Department's annual other post-employment benefit (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize the actuarial liability over one year. The following table shows the components of the Department's annual OPEB cost for the year, amounts actually contributed to the plan, and the changes in the Department's net OPEB obligation:

Annual required contribution (refund) (ARC)	\$ (178,820)
Interest on net OPEB obligation	50,705
Annual OPEB cost (credit)	<u>(128,115)</u>
Contribution	<u>(101,321)</u>
Increase in net OPEB obligation	(229,436)
Net OPEB obligation, beginning of year	1,482,607
Net OPEB obligation, end of year	<u><u>\$ 1,253,171</u></u>

The Department's annual OPEB cost, contribution, percentage of the annual OPEB cost contributed to the plan, and net OPEB obligation for the current year and two preceding years were as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost (credit)	Contribution	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 149,867	\$ 80,842	54%	\$ 1,453,199
2015	102,965	73,557	71	1,482,607
2016	(128,115)	101,321	(79)	1,253,171

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Department and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the August 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 3.50 percent and an annual healthcare cost trend rate of approximately 5.75 percent initially, then varying between 6.50 percent and 5.00 percent, then settling to an ultimate rate of 4.75 percent.

3. Retirement Health Insurance Account (RHIA)

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS), the City and the Department contribute to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplemental information. The report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700 or by calling 503-598-7377.

Funding Policy

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in OPERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in OPERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a OPERS-sponsored health plan. A surviving spouse or dependent of a deceased OPERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from OPERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS. The rates applied to annual covered payroll for the fiscal year 2015-16 were 0.53 percent for Tier 1 and 2 members and 0.45 percent for OPSRP members. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution (ARC) of the employers, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed 30 years. The City's contributions to RHIA for the fiscal years ended June 30, 2016, 2015, and 2014 were \$61,000, \$61,000, and \$64,000, which equaled the required contributions each year. The Department's contributions to RHIA for the fiscal years ended June 30, 2016, 2015, and 2014 were \$24,000, \$26,000, and \$26,000 which equaled the required contributions each year.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

D. Employee Retirement Pension Plan

1. Oregon Public Employees Retirement System (OPERS)

Plan Description. The City and the Department are participating employers in the Oregon Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at:

http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx.

ORS 238 Tier One/Tier Two Retirement Benefits. The PERS retirement allowance benefit is payable monthly for life. It may be selected from thirteen retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General services employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of eligible service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60.

Death Benefits. Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met: (1) member was employed by a OPERS employer at the time of death; (2) member died within 120 days after termination of OPERS-covered employment; (3) member died as a result of injury sustained while employed in a OPERS-covered job; or (4) member was on an official leave of absence from a OPERS-covered job at the time of death.

Disability Benefits. A member with ten or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes after Retirement. Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law the cap on the cost-of-living changes in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

ORS 238A OPSRP Pension Program Benefits. The Pension Program provides benefits to members hired on or after August 29, 2003. Benefits under this portion of OPSRP provide a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

For police and fire members, 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

For general service members, 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65 or age 58 with 30 years of retirement credit.

Members become vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits. Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits. A member who has accrued ten or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes after Retirement. Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the cost-of-living changes in fiscal year 2016 and beyond will vary based on the amount of the annual benefit.

OPSRP Individual Account Program (IAP). An IAP member becomes vested on the date the employee account is established or on the date the rollover account is established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5, 10, 15, or 20 year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits. Upon the death of a non-retired member, the beneficiary receives, in a lump sum, the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum amount.

Recordkeeping. OPERS contracts with VOYA Financial to maintain IAP participant records.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

Contributions. OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2014 actuarial valuation. The City's rates for the year ended June 30, 2016 were 17.77 percent for OPERS members, 10.63 percent for general service OPSRP members, 14.74 percent for police and fire OPSRP members, and 6.00 percent. The Department's rates are 17.77 for OPERS and 10.63 percent for OPSRP. The contribution requirements for plan members and the City and Department are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Employer contributions for the City and Department for the year ended June 30, 2016, were approximately \$1,692,000 and \$692,000, respectively, excluding amounts to fund employer specific liabilities.

A two year Schedule of Contributions can be found in the Required Supplementary Information, which immediately follows the Notes in this report.

Pension Assets, Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources related to Pensions

Information included in the following section for the Department is as reported in the "Report of Independent Auditors and Combined Financial Statements for McMinnville Water and Light Department" for fiscal years ending June 30, 2016 and 2015. Due to differences used by the City and the Department for calculation of pension liabilities, pension expenses, and deferred outflows and inflows of resources related to pensions, City and Department amounts, in the aggregate, do not agree to amounts reported by OPERS. Variances in these amounts are immaterial.

At June 30, 2016, the City and Department reported liabilities of \$10,772,610 and \$3,990,001, respectively for their proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Their proportionate shares were based on a projection of their long term share of contributions to the pension plan relative to the projected contributions of all participating members of the cost sharing pool, actuarially determined. At June 30, 2016, the City's and Department's proportion was 0.18762836 and 0.07041127 respectively. On June 30, 2015 the City's and Department's proportion was 0.18541902 percent and 0.06592673 percent, respectively.

For the year ended June 30, 2016, the City and Department recognized pension expense of \$8,612,685 and \$3,988,026, respectively. The Department has elected to use regulatory accounting to recognize pension expense in conjunction with the required employer contribution rates. Accordingly, the Department recognized pension expense related to Tier One/Tier Two and OPSRP of \$776,548.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

At June 30, 2016, the City and Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City		Department	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 580,914	\$ -	\$ 217,999	\$ -
Change of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,345,375	-	847,428
Changes in proportionate share	83,568		31,361	
Differences between employer contributions and employer's proportionate share of contributions	184,048	203,095	68,077	76,216
Contributions subsequent to the measurement date	2,133,435	-	776,548	-
Total	\$ 2,981,965	\$ 2,548,470	\$ 1,093,985	\$ 923,644

For the City, deferred outflows of resources related to pensions will be recognized and deferred inflows of resources will be recognized in pension expense (income) as follows:

Year ended June 30:	Deferred Inflows of Resources	Deferred Outflows of Resources	Total
2017	(1,152,678)	2,335,578	1,182,900
2018	(1,152,678)	202,142	(950,536)
2019	(1,152,678)	202,141	(950,537)
2020	928,027	181,695	1,109,722
2021	(18,463)	60,409	41,946
	\$ (2,548,470)	\$ 2,981,965	\$ 433,495

For the Department, deferred outflows of resources related to pensions will be recognized and deferred inflows of resources will be recognized in pension expense (income) as follows:

Year ended June 30:	Deferred Inflows of Resources	Deferred Outflows of Resources	Total
2017	(421,659)	852,131	430,472
2018	(421,659)	75,583	(346,076)
2019	(421,659)	75,583	(346,076)
2020	348,261	68,019	416,280
2021	(6,928)	22,669	15,741
	\$ (923,644)	\$ 1,093,985	\$ 170,341

Actuarial Assumptions. The employer contribution rates effective July 1, 2014 through June 30, 2016, were set using the entry age normal actuarial cost method.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

For the ORS 238 Tier One/Tier Two component of the OPERS defined benefit plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over twenty years.

For the ORS 238A OPSRP Pension Program component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year) and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over sixteen years.

The total pension liability in the December 2013 actuarial valuation was determined using the following assumptions:

Actuarial Methods and Assumptions.

- Valuation Date December 31, 2013, rolled forward to June 30, 2015
- Measurement Date June 30, 2015
- Experience Study Report 2014, published September 2015
- Actuarial cost method Entry Age Normal
- Amortization method Amortized as a level percentage of payroll; Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year); Amortization periods are closed
- Equivalent single amortization period Twenty years
- Asset valuation method Market value of assets
- Actuarial assumptions
 - Inflation rate 2.75 percent
 - Long-Term Expected Rate of Return 7.75 percent
 - Projected salary increases 3.75 percent
 - Cost of Living Adjustment Blend of 2% COLA and grade COLA (COLA)
- Mortality

Healthy retirees and beneficiaries:
 RP-2000 Sex-distinct, generational per Scale AA with collar adjustments and set-backs as described in the valuation.

Active members:
 Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation

Disabled retirees:
 Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disability mortality sex-distinct table.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four year period ending on December 31, 2014.

Long-Term Expected Rate of Return. The long term expected rate of return is based on a consistent set of underlying assumptions for each asset class and includes adjustment for the inflation assumption. These assumptions are not based on historical return, but instead are based on a forward-looking capital market economic model. To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target</u>	<u>Return (Geometric)</u>
Core Fixed Income	7.20 %	4.50 %
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	1.25	6.07
Assumed Inflation - Mean		2.75

Depletion Date Projection. GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20 year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; that is left to professional judgment.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is PERS' independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the defined benefit pension plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's and Department's proportionate share of the net pension asset to changes in the discount rate. The following represents the City's proportionate share of the pension (asset)/liability calculated using the discount rate of 7.75 percent, as well as what the City's share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of net pension (asset)/liability	\$ 25,999,293	\$ 10,772,610	\$ (2,059,484)
Department's proportionate share of net pension (asset)/liability	9,756,752	3,990,001	(772,862)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Payable to OPERS. At June 30, 2016, the City's payable to OPERS for defined benefit contributions was approximately \$256,042. This amount represents legally required contributions to the plan for services incurred in the current fiscal year. The Department did not have outstanding contributions at June 30, 2016.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

Changes in Plan Provisions During the Measurement Period. The Oregon Supreme Court, on April 30, 2015, ruled that the provisions of Senate Bill 861 signed into law in October 2013 that limited the post-retirement COLA on benefits accrued prior to the signing of the law, was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bill was passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2 percent increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective periods of the 2013 legislation will have a blended COLA rate when they retire. This change in benefit terms was reflected in the current valuation.

Changes in Plan Provisions Subsequent to Measurement Date. There were no changes subsequent to the June 30, 2015 measurement date.

Members of OPERS and OPSRP are required to contribute 6 percent of their salary covered under the plan which is invested in the IAP. The City and Department make this contribution on behalf of their employees. The City and Department contributed approximately \$745,000 and \$301,200 respectively for the year ended June 30, 2016.

2. McMinnville Fire Department Length of Service Awards Program

Plan Description

Effective July 1, 1994, the City established the McMinnville Fire Department Length of Service Awards Program (LOSAP), a non-qualified retirement plan for the City's volunteer fire fighters. The LOSAP is a length of service award plan as provided for in Internal Revenue Code Section 457(e)(11)(A)(ii). The purpose of the LOSAP is to provide a retirement income for volunteers in recognition of their service to the City. This is a single employer, stand-alone plan, which does not issue its own financial statements.

Plan Benefits

LOSAP participants become 100 percent vested upon five years of active service. Entitlement age varies depending on the years of service. Vested volunteer fire fighters attaining entitlement age are entitled to maximum annual benefits of \$20 per month multiplied by total years of service, not to exceed \$400 per month. At the inception of the plan, past service was limited to ten years and service prior to July 1, 1984 was excluded. Vested volunteer fire fighters who become inactive retain vested pension benefits earned through date of resignation. In addition to retirement benefits, the LOSAP also provides a \$20,000 term life insurance policy and a disability benefit to active members. The LOSAP is administered by VFIS, a division of Glatfelter Insurance Group. VFIS is an insurance provider that specializes in offering insurance products to emergency services organizations such as fire departments, ambulance and rescue squads, and 911 centers.

Contributions.

The City's LOSAP plan is unfunded as defined by governmental accounting standards. Contributions to the plan are determined on a pay-as-you-go basis. The LOSAP Master Plan does not require the City to guarantee the pay out of benefits nor to continue the plan. In addition, it is not intended that any trust for the benefit of participants is to be created by setting aside assets and/or purchasing annuities. However, the City has set aside assets and/or purchased annuities to discharge all or part of its expected benefit payments under the LOSAP. These assets remain in the name of the City and do not qualify as plan assets.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

At June 30, 2016 there were 23 active employees, 20 inactive employees that are entitled but not yet receiving benefit payments and 4 inactive employees that are receiving benefit payments.

Employer contributions for the City for the year ended June 30, 2016, were approximately \$95,276.

A two year Schedule of Contributions can be found in the Required Supplementary Information, which immediately follows the Notes in this report.

Pension Assets, Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources related to Pensions

For the year ended June 30, 2016, the LOSAP pension expense as defined by GASB 73 was \$50,031.

At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,184	\$ -
Change of assumptions	-	(37,875)
Total	\$ 6,184	\$ (37,875)

Deferred outflows of resources related to pensions will be recognized and deferred inflows of resources will be recognized in pension expense (income) as follows:

Year ended June 30:	Change in Assumptions	Change in Experience	Total
2017	\$ (5,498)	\$ 898	\$ (4,600)
2018	(5,498)	898	(4,600)
2019	(5,498)	898	(4,600)
2020	(5,498)	898	(4,600)
2021	(5,498)	898	(4,600)
Thereafter	(10,385)	1,694	(8,691)
	\$ (37,875)	\$ 6,184	\$ (31,691)

Actuarial Assumptions. Costs and liabilities for LOSAP were calculated using the entry age normal actuarial cost method.

Under this method, the actuarial present value of the projected benefits of each active volunteer included in the valuation is allocated on a level percent of pay basis over the service of the active volunteer between assumed entry age (date of hire) and assumed exit age(s). The portion of this actuarial present value allocated to the valuation year is called the service cost for that active volunteer. The sum of these individual service costs is the LOSAP's Service Cost for the valuation year.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

Actuarial Methods and Assumptions.

- Valuation Date July 1, 2016
- Measurement Date June 30, 2016
- Actuarial cost method Entry Age Normal
- Actuarial assumptions
 - Discount Rate 3.2 percent
 - Annuity Purchases-0 to 30 years 4.6 percent
 - Annuity Purchases-30+ years 3.0 percent
- Mortality RP 2014 Blue Collar generational tables projected forward using Scale MP 2015

Liabilities will be satisfied through the purchase of annuities. The cost of these annuities was based on the interest rates listed above.

Sensitivity of the proportionate share of the LOSAP net pension liability to changes in the discount rate. The following represents the proportionate share of the LOSAP pension liability calculated using the discount rate of 3.2 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (2.2%)	Discount Rate (3.2%)	1% Increase (4.2%)
Net pension (asset)/liability	\$ 1,012,718	\$ 972,459	\$ 933,974

Changes in total pension liability:

Beginning total pension liability	\$ 1,044,369
Benefit payments	(90,250)
Service cost	22,655
Interest on total pension liability	31,976
Change in assumptions	(43,373)
Experience loss	7,082
Change in total pension liability	(71,910)
Ending total pension liability	\$ 972,459

E. Commitments and Contingencies

1. City

At June 30, 2016, the City was committed to seven contracts. In the major governmental funds, a total of approximately \$3,874,000 was committed for construction contracts, with \$3,785,000 for street improvement projects and \$89,000 for runway rehabilitation at the Municipal Airport. In the Wastewater Fund, a business-type activity, approximately \$2,654,000 remained on contracts for sanitary sewer rehabilitation projects.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

The City purchases workers' compensation insurance from City County Insurance Services, a public entity risk pool. The initial premium contribution for the plan is calculated using a retrospective rate. The premium is then adjusted throughout the period of coverage based on the City's actual workers' compensation claims. The premium is subject to a minimum (initial contribution) and a maximum limit. The maximum limit is designed to compensate the insurer if larger than expected losses are incurred. At June 30, 2016, the City had three open plan years with a total potential remaining liability of \$1,007,000. The potential remaining liability is the difference between the premium that has been paid by the City and the maximum limit for the premium. For comparison purposes, workers' compensation retrospective plan premiums paid by the City in fiscal years ended June 30, 2014, 2015, and 2016 were \$241,000, \$202,000 and \$215,000, respectively.

In July 2013, the City entered into a loan agreement with the Oregon Department of Transportation (ODOT) in the amount of \$3,209,600 at 2.26% interest per annum. The loan is to cover the City's portion of costs for Phase 1 of the Newberg-Dundee Bypass constructed by ODOT and will be repaid with Federal and State transportation funds. The City made an interest only payment on the City's share of ODOT's expended funds through January 2016; principal and interest payments will begin in January 2017 and continue for 20 years, ending in January 2036. At June 30, 2016 ODOT had expended approximately \$1,995,000 of City funds on the project and interest of approximately \$26,000 had accrued.

2. Department

The Department purchases power from Priest Rapids Development and Wanapum Development, and is required to pay a portion of the development costs under these contracts through April 1, 2052, which coincides with the expiration of the new FERC license (unless terminated earlier under terms of the contract.) Costs associated with these contracts for the year ended June 30, 2016 were approximately \$681,000.

F. Major Customer and Supplier – Department

Department sales of electricity were made to one major commercial customer during the year ended June 30, 2015 in an amount exceeding ten percent of total sales. This customer accounted for approximately \$13,506,000 of revenues during the year ended June 30, 2016. At June 30, 2016, accounts receivable from this same customer amounted to approximately \$1,076,000.

Department purchases were made from one major supplier of power, including supply, transmission and distribution during the year ended June 30, 2016 in amounts exceeding ten percent of the total of such purchases. The supplier accounted for \$27,046,000 of purchases during the year ended June 30, 2016. At June 30, 2016, amounts due to this same supplier, and included in accounts payable, amounted to \$2,153,000.

G. Jointly Governed Organization

1. City

The City entered into a joint operational agreement effective January 1, 1988 with other local governments. Under the terms of this agreement, an intergovernmental agency known as Yamhill Communications Agency (YCOM) was established to provide public safety communication services to member jurisdictions.

YCOM is partially funded by member contributions, which are based on a cost-sharing formula determined by the YCOM Executive Board. The City paid \$722,000 in member contributions to YCOM in fiscal year 2016. YCOM also receives 911 Excise Taxes that are charged on telephone exchange access services and are collected by the State of Oregon. The City received approximately \$28,000 from YCOM for providing operational space within the Police Department.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

The governing body of YCOM is a five-member Executive Board. The five members include the Sheriff of Yamhill County, a Yamhill County Commissioner, a representative of the City of McMinnville, a representative of YCOM's city members excluding the City of McMinnville, and a representative of YCOM's fire districts. The Sheriff serves as the Chair of the Executive Board. The Executive Board members have full voting powers over all areas affecting YCOM including budget, public policy, and administration.

Associate members do not receive direct public safety communication services but wish to remain affiliated with YCOM. Associate members may not serve on the Executive Board. Contributions for associate members are determined by the Executive Board.

Financial statements for YCOM may be obtained at Yamhill County, Accounting Division, 535 NE 5th Street, McMinnville, Oregon 97128.

2. Department

The Department, in conjunction with six other Oregon municipal corporations that provide distribution of electric services, is a member of the Oregon Municipal Energy and Conservation Agency (OMECA). OMECA issued tax-exempt revenue bonds to fund conservation projects of the member organizations. The bonds are payable solely by the Bonneville Power Administration and do not represent obligations of OMECA or the Department. OMECA's Board of Directors is comprised of one member from each participating entity. No member has any obligation, entitlement or residual interest in OMECA.

H. BPA Overpayment - Department

The Residential Exchange Program (REP) is used to distribute financial benefits of the Federal Columbia River Power System to the residential and small farm customers of the region's investor-owned utilities (IOUs). On May 3, 2007, the United States Ninth Circuit Court of Appeals (Court) ruled that Bonneville Power Administration (BPA) exceeded its settlement authority in 2000 when it executed the REP settlements with six IOUs, holding that BPA's decision to allocate costs of the settlements to publicly-owned utilities was not in accordance with the law.

The Court remanded the issue back to BPA and as a result of the Court's decisions, BPA suspended monthly program benefits to the IOUs. This resulted in BPA's over-collection of funds from its publicly-owned utility customers. This left BPA with larger than anticipated financial reserves. Because of the over-collection from public utilities, BPA has refunded amounts directly to public utilities as well as issuing "lookback adjustments" that show as credits against power costs on monthly BPA bills. The overpayment that was attributed to the Department was \$3,700,000 and is recorded as a reduction to supply and transmission expense within operating expenses. This was refunded to the Department in October 2008.

The fiscal year 2015-16 credits for 2002-2006 look back adjustments were \$1,076,000. For fiscal year 2015-16 the lookback credit will be \$1,080,000. Future look back credits have not yet been determined.

I. McMinnville Rural Fire Protection District

McMinnville Rural Fire Protection District (MRFPD) contracts with the City for fire protection services. For fiscal year 2014-15, the City received \$337,000 from MRFPD for contract services, which is included in Fire's Charges for Services in the Government Wide Statement of Activities and in the General Fund's Intergovernmental Revenue in the Fund Financial Statement of Revenues, Expenditures, and Changes in Fund Balances.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

J. New Accounting Pronouncement – GASB Statement No. 72, 73 and 76

The Governmental Accounting Standards Board (GASB) has issued *Statement No. 72, Fair Value Measurement and Application*, *Statement No. 73, Accounting and Financial Reporting for Pension and Related Assets That are not Within the Scope of GASB Statement 68*, and *Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB Statement 72 addresses accounting and financial reporting issues related to fair value measurements for certain assets and liabilities. GASB Statement 72 identifies the hierarchy of generally accepted accounting principles (GAAP). The City implemented GASB Statements 72, 73, and 76 in the year ending June 30, 2016. Statements 72 and 76 were required beginning this fiscal year. Statement 73 was not required to be implemented until next fiscal year, but the City elected to early-implement the statement.

K. Restatements – City

The City restated its net position due to the early implementation of GASB 73. This resulted in a net reduction in beginning net position of \$1,044,369.

An error was discovered in the fiscal year 2015 Comprehensive Annual Financial Report. In the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance, interfund loans from the General Fund to the Urban Renewal Debt Service Fund were not reclassified from transfers (as required by Oregon Local Budget Law) to receivables and payables (as required by GAAP). The net impact of the error caused an increase in General Fund beginning fund balance of \$30,000, and a corresponding decrease in beginning fund balance of the Urban Renewal Debt Service Fund (a nonmajor fund) of \$30,000.

L. Restatement – Department

The Department applied new pension reporting standards to the financial statements for Fiscal Year 2015 as required by GASB No. 68. The intent of GASB 68 was to improve the financial reporting, transparency and comparability of pension benefit obligations. However, implementation of GASB 68 has resulted in significant non-cash swings in expense to the Department which is not consistent with revenue recovery. The Department received approval from the Commission to treat the non-cash portion of the pension expense as a regulatory deferral and applied GASB 62 during the current year and restated the prior year. Under regulatory accounting, revenues and expenses are allowed to be deferred and recognized in the period when those items are included in rates.

City of McMinnville, Oregon
Notes to Basic Financial Statements (Continued)
Year Ended June 30, 2016

The following table shows restated amounts of effected balances within the Department's financial statements:

Restatement due to implementation of regulatory accounting:

	2015 As Previously Reported	Effect of Restatement	2015 As Restated
Statement of net position			
Deferred inflow of resources			
PERS regulatory liability	\$ -	\$ 2,731,154	\$ 2,731,154
Unrestricted net position	36,515,824	(2,731,154)	33,784,670
Statement of activities			
Expenses	42,099,300	599,321	42,698,621
<u>Change in Net Position due to restatement:</u>			
Net position, beginning of the year	151,866,454	(2,659,159)	149,207,295
Net position, end of the year	<u>157,962,286</u>	<u>(2,731,154)</u>	<u>155,231,132</u>

M. Subsequent Events

On October 31, 2016 the City entered into a financing agreement with JPMorgan Chase Bank to borrow \$3,525,860 to pay the City's transition liability to OPERS. The first payment is due on August 1, 2017 and the final payment is due no later than August 1, 2027. Interest is 2.73%.



REQUIRED SUPPLEMENTARY INFORMATION

- Required Supplementary Information Schedules
- Notes to Required Supplementary Information



REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES

- Post-Employment Healthcare Plan Schedule of Funding Progress
- Schedule of the Proportionate Share of the Net Pension Liability
- Schedule of Contributions



Required Supplementary Information

City of McMinnville, Oregon Post Employment Healthcare Plan Schedule of Funding Progress

City

Actuarial Valuation Date August 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2010	\$ -	\$ 2,084,250	\$ 2,084,250	\$ -	\$ 10,680,389	20%
2012	-	1,623,759	1,623,759	-	10,951,360	15%
2014	-	1,575,145	1,575,145	-	11,167,210	14%

Department

Actuarial Valuation Date August 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2010	\$ -	\$ 1,338,305	\$ 1,338,305	\$ -	\$ 2,558,493	52%
2012	-	1,377,227	1,377,227	-	2,477,432	56%
2014	-	1,399,058	1,399,058	-	2,458,630	57%

Required Supplementary Information

City of McMinnville, Oregon Schedule of the Proportionate Share of the Net Pension Liability For the last three fiscal years

City

Year Ended June 30,	Proportion of the net pension liability (asset) (a)	Proportionate share of the net pension liability (asset) (b)	Covered payroll (c)	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll (b/c)	Plan fiduciary net position as a percentage of the total pension liability
2016	0.18762836%	\$ 10,772,610	\$ 11,689,472	92.16%	91.90%
2015	0.18541902%	(4,202,920)	11,141,496	-37.72%	103.60%
2014	0.18541902%	9,462,204	10,951,360	86.02%	91.97%

Department

Year Ended June 30,	Proportion of the net pension liability (asset) (a)	Proportionate share of the net pension liability (asset) (b)	Covered payroll (c)	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll (b/c)	Plan fiduciary net position as a percentage of the total pension liability
2016	0.07041000%	\$ 3,990,001	\$ 4,858,713	81.83%	91.88%
2015	0.06593000%	\$ (1,494,371)	\$ 4,665,911	-30.76%	103.60%
2014	0.06592673%	3,364,338	n/a	-	91.97%

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

Required Supplementary Information (Continued)

City of McMinnville, Oregon Schedule of Contributions For the last three fiscal years

City

Year ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percent of covered payroll
	(a)	(b)	(a-b)	(c)	(b/c)
2016	\$ 2,115,936	\$ 2,115,936	-	\$ 12,346,146	17.14%
2015	1,692,462	1,692,462	-	11,689,472	14.48%
2014	1,658,475	1,658,475	-	11,141,496	14.89%

Department

Year ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percent of covered payroll
	(a)	(b)	(a-b)	(c)	(b/c)
2016	\$ 691,701	\$ 691,701	-	\$ 4,876,213	14.19%
2015	601,765	601,765	-	4,858,713	12.39%
2014	589,680	589,680	-	4,665,911	13.10%

The amounts presented for each fiscal year were actuarially determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.



NOTES TO REQUIRED SUPPLEMENTARY INFORMATION



City of McMinnville, Oregon
Notes to Required Supplementary Information
June 30, 2016

Changes in Benefit Terms. The Oregon Supreme Court, on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law, was unconstitutional. Benefits could be modified prospectively but not retrospectively. As a result, those who retired before the bill was passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2 percent increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire. This is a change in benefit terms that was not included in the net pension liability (asset) proportionate shares provided by OEPRS for the years ending June 30, 2015 and June 30, 2014.

Changes of Assumptions. Details and a comprehensive list of changes in methods and assumptions can be found in the 2012 and 2014 Experience Study for the System, which were published on September 18, 2013, and September 23, 2015, respectively. These reports can be found at http://www.oregon.gov/pers/Pages/section/financial_reports/mercereports.aspx.



OTHER SUPPLEMENTARY INFORMATION

- Combining and Individual Fund Statements and Schedules
- Other Financial Schedules



COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

- Governmental Funds
- Proprietary Funds



GOVERNMENTAL FUNDS

- Combining Balance Sheet – Non-Major Governmental Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
- Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:
 - Special Assessment Fund
 - Transient Lodging Tax Fund
 - Telecommunications Fund
 - Emergency Communications Fund
 - Street Fund
 - Urban Renewal Debt Service Fund
 - Debt Service Fund
 - Public Safety Facilities Construction Fund
 - Park Development Fund
 - Urban Renewal Fund
 - Transportation Fund





City of McMinnville
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2016

Special Revenue Funds

	Special Assessment	Transient Lodging Tax	Telecommu- nications	Emergency Commun- ications	Street	Total
Assets						
Cash and investments	155,102	-	1,668	112,968	1,982,400	2,252,138
Receivables	119,668	170,292	59,091	7,278	173,431	529,760
Prepays	-	-	-	-	4	4
Restricted cash and investments	-	-	-	-	-	-
Total assets	274,770	170,292	60,759	120,246	2,155,835	2,781,902
Liabilities						
Accounts payable	82,117	16,085	59,091	3,126	32,306	192,725
Due to other funds	-	2,872	-	-	-	2,872
Accrued payroll and othe payroll liabilities	-	-	-	-	15,839	15,839
Unearned revenue	215	8	-	-	-	223
Advances from other funds	-	-	-	-	-	-
Total liabilities	82,332	18,965	59,091	3,126	48,145	211,659
Deferred inflows of resources						
Unavailable revenue property taxes	-	-	-	-	-	-
Unavailable revenue other	37,550	-	-	-	-	37,550
Total deferred inflows of resources	37,550	-	-	-	-	37,550
Fund Balances						
Nonspendable	-	-	-	-	4	4
Restricted	-	151,327	-	-	2,107,686	2,259,013
Committed	-	-	-	117,120	-	117,120
Assigned	154,888	-	1,668	-	-	156,556
Unassigned	-	-	-	-	-	-
Total fund balances	154,888	151,327	1,668	117,120	2,107,690	2,532,693
Total liabilities, deferred inflow of resources, and fund balances	274,770	170,292	60,759	120,246	2,155,835	2,781,902

Debt Service Fund	Capital Projects Funds			Total	Total Nonmajor Governmental Funds
	Public Safety Facilities Constr	Park Development	Urban Renewal		
173,291	-	-	34,409	34,409	2,459,838
7,519	-	-	-	-	537,279
-	-	-	-	-	4
-	6,903	1,206,545	-	1,213,448	1,213,448
<u>180,810</u>	<u>6,903</u>	<u>1,206,545</u>	<u>34,409</u>	<u>1,247,857</u>	<u>4,210,569</u>
-	3,500	2,937	34,409	40,846	233,571
-	-	-	-	-	2,872
-	-	-	-	-	15,839
-	-	68,658	-	68,658	68,881
25,000	-	-	188,784	188,784	213,784
<u>25,000</u>	<u>3,500</u>	<u>71,595</u>	<u>223,193</u>	<u>298,288</u>	<u>534,947</u>
-	-	-	-	-	-
5,975	-	-	-	-	5,975
-	-	-	-	-	37,550
<u>5,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,525</u>
-	-	-	-	-	4
149,835	3,403	1,134,950	-	1,138,353	3,547,201
-	-	-	-	-	117,120
-	-	-	-	-	156,556
-	-	-	(188,784)	(188,784)	(188,784)
<u>149,835</u>	<u>3,403</u>	<u>1,134,950</u>	<u>(188,784)</u>	<u>949,569</u>	<u>3,632,097</u>
<u>180,810</u>	<u>6,903</u>	<u>1,206,545</u>	<u>34,409</u>	<u>1,247,857</u>	<u>4,210,569</u>

City of McMinnville
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

Special Revenue Funds

	Special Assessment	Transient Lodging Tax	Telecomm- unications	Emergency Comm- unications	Street	Total
Revenues						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	57,151	-	-	-	-	57,151
Licenses and permits	-	644,878	236,000	30,492	28	911,398
Intergovernmental	326,394	-	-	-	1,947,630	2,274,024
Charges for services	-	-	-	12,090	-	12,090
Miscellaneous	1,075	4,406	17	656	8,430	14,584
Total Revenues	384,620	649,284	236,017	43,238	1,956,088	3,269,247
Expenditures						
Current:						
General government:	383,990	760,886	236,000	-	-	1,380,876
Public Safety	-	-	-	779,238	-	779,238
Highways and streets	-	-	-	-	1,530,195	1,530,195
Culture and recreation	-	-	-	-	-	-
Capital outlay:						
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	383,990	760,886	236,000	779,238	1,530,195	3,690,309
Excess (deficiency) of revenues over (under) expenditures	630	(111,602)	17	(736,000)	425,893	(421,062)
Other Financing Sources (Uses):						
Transfers from other funds	-	-	-	743,400	-	743,400
Transfers to other funds	-	(188,401)	-	-	(100,000)	(288,401)
Total other financing sources (Uses)	-	(188,401)	-	743,400	(100,000)	454,999
Net change in fund balances	630	(300,003)	17	7,400	325,893	33,937
Fund Balances - beginning as previously stated						
	154,258	451,330	1,651	109,720	1,781,797	2,498,756
Restatement - interfund loan (Note IV.K.)	-	-	-	-	-	-
Fund balances - beginning, as restated	154,258	451,330	1,651	109,720	1,781,797	2,498,756
Fund balances - ending	\$ 154,888	\$ 151,327	\$ 1,668	\$ 117,120	\$ 2,107,690	\$ 2,532,693

Debt Service Fund	Capital Projects Funds				Total	Total Nonmajor Governmental Funds
	Urban Renewal Debt Service	Public Safety Facilities Constr	Park Development	Urban Renewal		
\$ 118,366	\$ -	\$ -	\$ -	\$ -	\$ 118,366	
-	-	-	-	-	57,151	
-	-	-	-	-	911,398	
-	-	-	-	-	2,274,024	
-	-	302,468	-	302,468	314,558	
603	50	6,623	1	6,674	21,861	
<u>118,969</u>	<u>50</u>	<u>309,091</u>	<u>1</u>	<u>309,142</u>	<u>3,697,358</u>	
-	-	-	-	-	1,380,876	
-	8,292	-	-	8,292	787,530	
-	-	-	205,132	205,132	1,735,327	
-	-	66,856	-	66,856	66,856	
-	-	4,650	-	4,650	4,650	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	<u>8,292</u>	<u>71,506</u>	<u>205,132</u>	<u>284,930</u>	<u>3,975,239</u>	
<u>118,969</u>	<u>(8,242)</u>	<u>237,585</u>	<u>(205,131)</u>	<u>24,212</u>	<u>(277,881)</u>	
-	-	-	16,347	16,347	759,747	
(16,347)	-	(100,000)	-	(100,000)	(404,748)	
(16,347)	-	(100,000)	16,347	(83,653)	354,999	
<u>102,622</u>	<u>(8,242)</u>	<u>137,585</u>	<u>(188,784)</u>	<u>(59,441)</u>	<u>77,118</u>	
77,213	11,645	997,365	-	1,009,010	3,584,979	
(30,000)	-	-	-	-	(30,000)	
<u>47,213</u>	<u>11,645</u>	<u>997,365</u>	<u>-</u>	<u>1,009,010</u>	<u>3,554,979</u>	
<u>\$ 149,835</u>	<u>\$ 3,403</u>	<u>\$ 1,134,950</u>	<u>\$ (188,784)</u>	<u>\$ 949,569</u>	<u>\$ 3,632,097</u>	

City of McMinnville, Oregon
Special Assessment Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 74,000	\$ 74,000	\$ 57,151	\$ (16,849)
Intergovernmental	400,000	\$ 400,000	\$ 321,022	\$ (78,978)
Miscellaneous	900	900	1,075	175
Total revenues	<u>474,900</u>	<u>474,900</u>	<u>379,248</u>	<u>(95,652)</u>
Expenditures				
General government:				
Materials and services	474,100	474,100	378,173	95,927
Contingencies	80,000	80,000	-	80,000
Total expenditures	<u>554,100</u>	<u>554,100</u>	<u>378,173</u>	<u>175,927</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(79,200)</u>	<u>(79,200)</u>	<u>1,075</u>	<u>80,275</u>
Other Financing Sources (Uses)				
Transfers to other funds	<u>(5,817)</u>	<u>(5,817)</u>	<u>(5,817)</u>	<u>-</u>
Total other financing sources (uses)	<u>(5,817)</u>	<u>(5,817)</u>	<u>(5,817)</u>	<u>-</u>
Net change in fund balances	<u>(85,017)</u>	<u>(85,017)</u>	<u>(4,742)</u>	<u>80,275</u>
Fund balances, budgetary basis - beginning	159,610	159,610	159,630	20
Fund balances, budgetary basis - ending	<u>\$ 74,593</u>	<u>\$ 74,593</u>	<u>\$ 154,888</u>	<u>\$ 80,295</u>
Reconciliation:				
Revenues budgetary basis			\$ 379,248	
Recognition of prior year unearned revenue			5,372	
Revenues, modified accrual basis			<u>\$ 384,620</u>	
Expenditures, budgetary basis			\$ 378,173	
Transfers to other funds - services provided			5,817	
Expenditures, modified accrual basis			<u>\$ 383,990</u>	
Other financing sources (uses), budgetary basis			\$ (5,817)	
Transfers to other funds - services provided			5,817	
Other financing sources (uses), modified accrual basis			<u>\$ -</u>	

City of McMinnville, Oregon
Transient Lodging Tax Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 590,000	\$ 675,000	\$ 644,878	\$ (30,122)
Miscellaneous	2,100	2,100	4,406	2,306
Total revenues	<u>592,100</u>	<u>677,100</u>	<u>649,284</u>	<u>(27,816)</u>
Expenditures				
General government:				
Materials and services	810,344	928,107	760,886	167,221
Total expenditures	<u>810,344</u>	<u>928,107</u>	<u>760,886</u>	<u>167,221</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(218,244)</u>	<u>(251,007)</u>	<u>(111,602)</u>	<u>139,405</u>
Other Financing Sources (Uses)				
Transfers to other funds	(182,900)	(200,323)	(188,401)	11,922
Total other financing sources (uses)	<u>(182,900)</u>	<u>(200,323)</u>	<u>(188,401)</u>	<u>11,922</u>
Net change in fund balances	<u>(401,144)</u>	<u>(451,330)</u>	<u>(300,003)</u>	<u>151,327</u>
Fund balances, budgetary basis - beginning	\$ 401,144	\$ 451,330	451,330	-
Fund balances, budgetary basis - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,327</u>	<u>\$ 151,327</u>

City of McMinnville, Oregon
Telecommunications Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 232,000	\$ 236,000	\$ 236,000	\$ -
Miscellaneous	100	100	17	(83)
Total revenues	<u>232,100</u>	<u>236,100</u>	<u>236,017</u>	<u>(83)</u>
Expenditures				
General government:				
Materials and services	232,000	236,000	236,000	-
Contingencies	1,450	1,450	-	1,450
Total expenditures	<u>233,450</u>	<u>237,450</u>	<u>236,000</u>	<u>1,450</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,350)</u>	<u>(1,350)</u>	<u>17</u>	<u>1,367</u>
Net change in fund balances	<u>(1,350)</u>	<u>(1,350)</u>	<u>17</u>	<u>1,367</u>
Fund balances - beginning	1,736	1,736	1,651	(85)
Fund balances - ending	<u>\$ 386</u>	<u>\$ 386</u>	<u>\$ 1,668</u>	<u>\$ 1,282</u>

City of McMinnville, Oregon
Emergency Communications Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 32,000	\$ 32,000	\$ 30,492	\$ (1,508)
Intergovernmental	18,000	18,000	-	(18,000)
Charges for services	13,824	13,824	12,090	(1,734)
Miscellaneous	800	800	656	(144)
Total revenues	<u>64,624</u>	<u>64,624</u>	<u>43,238</u>	<u>(21,386)</u>
Expenditures				
Public safety:				
Materials and services	790,593	790,593	779,238	11,355
Contingencies	75,000	75,000	-	75,000
Total expenditures	<u>865,593</u>	<u>865,593</u>	<u>779,238</u>	<u>86,355</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(800,969)</u>	<u>(800,969)</u>	<u>(736,000)</u>	<u>64,969</u>
Other Financing Sources (Uses)				
Transfers from other funds	743,400	743,400	743,400	-
Total other financing sources (uses)	<u>743,400</u>	<u>743,400</u>	<u>743,400</u>	<u>-</u>
Net change in fund balances	(57,569)	(57,569)	7,400	64,969
Fund balances - beginning	104,908	104,908	109,720	4,812
Fund balances - ending	<u>\$ 47,339</u>	<u>\$ 47,339</u>	<u>\$ 117,120</u>	<u>\$ 69,781</u>

City of McMinnville, Oregon
Street Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and
Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 50	\$ 50	\$ 28	\$ (22)
Intergovernmental	1,885,000	1,885,000	1,947,630	62,630
Miscellaneous	9,200	9,200	8,430	(770)
Total revenues	<u>1,894,250</u>	<u>1,894,250</u>	<u>1,956,088</u>	<u>61,838</u>
Expenditures				
Highways and streets:				
Personnel services	701,501	707,301	707,204	97
Materials and services	925,185	918,835	616,738	302,097
Capital Outlay	12,304	12,854	12,725	129
Contingencies	250,000	250,000	-	250,000
Total expenditures	<u>1,888,990</u>	<u>1,888,990</u>	<u>1,336,667</u>	<u>552,323</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,260</u>	<u>5,260</u>	<u>619,421</u>	<u>614,161</u>
Other Financing Sources (Uses)				
Transfers to other funds	(308,659)	(308,659)	(308,659)	-
Total other financing sources (uses)	<u>(308,659)</u>	<u>(308,659)</u>	<u>(308,659)</u>	<u>-</u>
Net change in fund balances	<u>(303,399)</u>	<u>(303,399)</u>	<u>310,762</u>	<u>614,161</u>
Fund balances, budgetary basis - beginning	1,807,518	1,807,518	1,796,928	(10,590)
Fund balances, budgetary basis - ending	<u>\$ 1,504,119</u>	<u>\$ 1,504,119</u>	<u>\$ 2,107,690</u>	<u>\$ 603,571</u>
Reconciliation:				
Expenditures, budgetary basis			\$ 1,336,667	
Changes in accrued payroll and other payroll liabilities			(15,131)	
Transfers to other funds - services provided			208,659	
Expenditures, modified accrual basis			<u>\$ 1,530,195</u>	
Other financing sources (uses), budgetary basis			\$ (308,659)	
Transfers to other funds - services provided			208,659	
Other financing sources (uses), modified accrual basis			<u>\$ (100,000)</u>	

City of McMinnville, Oregon
Urban Renewal Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and
Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 117,200	\$ 117,200	\$ 118,366	\$ 1,166
Miscellaneous	250	250	603	353
Total revenues	<u>117,450</u>	<u>117,450</u>	<u>118,969</u>	<u>1,519</u>
Other Financing Sources (Uses)				
Transfers to other funds	(66,500)	(66,500)	(21,347)	45,153
Excess (deficiency) of revenues over (under) expenditures	<u>50,950</u>	<u>50,950</u>	<u>97,622</u>	<u>46,672</u>
Net change in fund balances	50,950	50,950	97,622	46,672
Fund balances - beginning	75,750	75,750	77,213	1,463
Fund balances - ending	<u>\$ 126,700</u>	<u>\$ 126,700</u>	<u>174,835</u>	<u>\$ 48,135</u>
Add (subtract):				
Interfund loan balance			(25,000)	
Fund balance, modified accrual basis			<u>\$ 149,835</u>	
Reconciliation:				
Other financing sources (uses), budgetary basis			\$ (21,347)	
Interfund loan repayment			5,000	
Other financing sources (uses), modified accrual basis			<u>\$ (16,347)</u>	

City of McMinnville, Oregon
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 2,673,600	\$ 2,673,600	\$ 2,708,189	\$ 34,589
Miscellaneous	4,200	4,200	6,264	2,064
Total revenues	<u>2,677,800</u>	<u>2,677,800</u>	<u>2,714,453</u>	<u>36,653</u>
Expenditures				
Debt service	<u>2,435,630</u>	<u>2,435,630</u>	<u>2,435,624</u>	<u>6</u>
Excess (deficiency) of revenues over (under) expenditures	<u>242,170</u>	<u>242,170</u>	<u>278,829</u>	<u>36,659</u>
Other Financing Sources (Uses)				
Transfers from other funds	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balances	<u>342,170</u>	<u>342,170</u>	<u>378,829</u>	<u>36,659</u>
Fund balances - beginning	<u>1,432,718</u>	<u>1,432,718</u>	<u>1,469,884</u>	<u>37,166</u>
Fund balances - ending	<u>\$ 1,774,888</u>	<u>\$ 1,774,888</u>	<u>\$ 1,848,713</u>	<u>\$ 73,825</u>

City of McMinnville, Oregon
Public Safety Facilities Construction Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and
Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 50	\$ 50	\$ 50	\$ -
Total revenues	<u>50</u>	<u>50</u>	<u>50</u>	<u>-</u>
Expenditures				
Public Safety:				
Materials and services	11,693	11,693	8,292	3,401
Total expenditures	<u>11,693</u>	<u>11,693</u>	<u>8,292</u>	<u>3,401</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,643)</u>	<u>(11,643)</u>	<u>(8,242)</u>	<u>3,401</u>
Net change in fund balances	(11,643)	(11,643)	(8,242)	3,401
Fund balances, budgetary basis - beginning	\$ 11,643	\$ 11,643	11,645	2
Fund balances, budgetary basis - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,403</u>	<u>\$ 3,403</u>

City of McMinnville, Oregon
Park Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and
Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 60,862	\$ 60,862	\$ -	\$ (60,862)
Charges for services	301,000	301,000	301,180	180
Miscellaneous	5,300	5,300	6,623	1,323
Total revenues	<u>367,162</u>	<u>367,162</u>	<u>307,803</u>	<u>(59,359)</u>
Expenditures				
Culture and recreation:				
Materials and services	144,830	184,830	14,620	170,210
Capital outlay	292,300	252,300	4,650	247,650
Contingencies	<u>782,722</u>	<u>782,722</u>	-	<u>782,722</u>
Total expenditures	<u>1,219,852</u>	<u>1,219,852</u>	<u>19,270</u>	<u>1,200,582</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(852,690)</u>	<u>(852,690)</u>	<u>288,533</u>	<u>1,141,223</u>
Other Financing Sources (Uses)				
Transfers from other funds	25,000	25,000	-	(25,000)
Transfers to other funds	<u>(152,236)</u>	<u>(152,236)</u>	<u>(152,236)</u>	-
Total other financing sources (uses)	<u>(127,236)</u>	<u>(127,236)</u>	<u>(152,236)</u>	<u>(25,000)</u>
Net change in fund balances	<u>(979,926)</u>	<u>(979,926)</u>	<u>136,297</u>	<u>1,116,223</u>
Fund balances, budgetary basis - beginning	\$ 995,926	995,926	998,653	2,727
Fund balances, budgetary basis - ending	<u>\$ 16,000</u>	<u>\$ 16,000</u>	<u>\$ 1,134,950</u>	<u>\$ 1,118,950</u>
Reconciliation:				
Revenues budgetary basis			\$ 307,803	
Recognition of prior year unearned revenue			1,288	
Revenues, modified accrual basis			<u>\$ 309,091</u>	
Expenditures, budgetary basis			\$ 19,270	
Transfers to other funds - services provided			52,236	
Expenditures, modified accrual basis			<u>\$ 71,506</u>	
Other financing sources (uses), budgetary basis			\$ (152,236)	
Transfers to other funds - services provided			52,236	
Other financing sources (uses), modified accrual basis			<u>\$ (100,000)</u>	

City of McMinnville, Oregon
Urban Renewal Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and
Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	-	-	1	1
Total revenues	-	-	1	1
Expenditures				
Materials and Services	\$ 56,100	\$ 219,100	\$ 205,132	\$ 13,968
Capital Outlay	5,000	5,000	-	5,000
Total expenditures	61,100	224,100	205,132	18,968
Excess (deficiency) of revenues over (under) expenditures	(61,100)	(224,100)	(205,131)	(18,969)
Other Financing Sources (Uses)				
Other Financing Source	61,100	224,100	205,131	18,969
Total other financing sources (uses)	61,100	224,100	205,131	18,969
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Add (subtract):				
Outstanding Interfund loan			(188,784)	
Fund balance, modified accrual basis			<u>\$ (188,784)</u>	
Reconciliation:				
Other financing sources (uses), budgetary basis			\$ 205,131	
Interfund loan proceeds (net of repayments)			(188,784)	
Other financing sources (uses), modified accrual basis			<u>\$ 16,347</u>	

City of McMinnville, Oregon
Transportation Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and
Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 353,879	\$ 353,879	\$ 40,361	\$ (313,518)
Charges for services	150,000	150,000	252,413	102,413
Miscellaneous	9,100	9,100	119,224	110,124
Total revenues	<u>512,979</u>	<u>512,979</u>	<u>411,998</u>	<u>(100,981)</u>
Expenditures				
Highways and streets:				
Materials and services	1,310,050	1,879,150	1,523,807	355,343
Capital outlay	3,935,950	3,366,850	1,735,138	1,631,712
Debt Service	100,000	100,000	-	100,000
Contingencies	500,000	500,000	-	500,000
Total expenditures	<u>5,846,000</u>	<u>5,846,000</u>	<u>3,258,945</u>	<u>2,587,055</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,333,021)</u>	<u>(5,333,021)</u>	<u>(2,846,947)</u>	<u>2,486,074</u>
Other Financing Sources (Uses)				
Transfers from other funds	100,000	100,000	100,000	-
Transfers to other funds	(105,354)	(105,354)	(105,354)	-
Total other financing sources (uses)	<u>(5,354)</u>	<u>(5,354)</u>	<u>(5,354)</u>	<u>-</u>
Net change in fund balances	<u>(5,338,375)</u>	<u>(5,338,375)</u>	<u>(2,852,301)</u>	<u>2,486,074</u>
Fund balances, budgetary basis - beginning	\$ 20,256,031	\$ 20,256,031	\$ 20,298,178	42,147
Fund balances, budgetary basis - ending	<u>\$ 14,917,656</u>	<u>\$ 14,917,656</u>	<u>\$ 17,445,877</u>	<u>\$ 2,528,221</u>
Reconciliation:				
Expenditures, budgetary basis			\$ 3,258,945	
Transfers to other funds - services provided			105,354	
Expenditures, modified accrual basis			<u>\$ 3,364,299</u>	
Other financing sources (uses), budgetary basis			\$ (5,354)	
Transfers to other funds - services provided			105,354	
Other financing sources (uses), modified accrual basis			<u>\$ 100,000</u>	

PROPRIETARY FUNDS

- Combining Statement of Net Position – Internal Service Funds
- Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds
- Combining Statement of Cash Flows – Internal Service Funds
- Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:
 - Wastewater Services Fund
 - Wastewater Capital Fund
 - Wastewater Services Fund Reconciliation of Budgetary Basis to Full Accrual Basis
 - Ambulance Fund
 - Building Fund
 - Information Systems & Services Fund
 - Insurance Services Fund



City of McMinnville
Combining Statement of Net Position
Internal Service Funds
June 30, 2016

	Information Systems & Services	Insurance Services	Total Internal Service Funds
Assets			
Current assets:			
Cash and investments	\$ 211,710	\$ 1,330,997	\$ 1,542,707
Receivables, net of allowance for uncollectibles	-	1,427	1,427
Prepays	3,027	-	3,027
Total current assets	<u>214,737</u>	<u>1,332,424</u>	<u>1,547,161</u>
Non-current assets:			
Capital assets:			
Depreciable capital assets	2,270,845	-	2,270,845
Accumulated depreciation	(1,738,718)	-	(1,738,718)
Total Non-current assets	<u>532,127</u>	<u>-</u>	<u>532,127</u>
Total assets	<u>746,864</u>	<u>1,332,424</u>	<u>2,079,288</u>
Deferred outflows of resources			
Deferred outflow of resources - pension	<u>42,048</u>	<u>-</u>	<u>42,048</u>
Liabilities			
Current liabilities:			
Accounts payable	43,393	25,472	68,865
Accrued payroll and other payroll liabilities	8,197	-	8,197
Claims payable	-	65,297	65,297
Compensated absences	18,644	-	18,644
Total current liabilities	<u>70,234</u>	<u>90,769</u>	<u>161,003</u>
Non-current liabilities:			
Other post employment benefits	23,806	-	23,806
Pension related debt	54,679	-	54,679
Net pension liability	154,048	-	154,048
Total non-current liabilities	<u>232,533</u>	<u>-</u>	<u>232,533</u>
Total liabilities	<u>302,767</u>	<u>90,769</u>	<u>393,536</u>
Deferred inflow of resources			
Deferred inflow of resources - pension	<u>35,196</u>	<u>-</u>	<u>35,196</u>
Net position			
Invested in capital assets	532,127	-	532,127
Unrestricted	(81,178)	1,241,655	1,160,477
Total Net Position	<u>\$ 450,949</u>	<u>\$ 1,241,655</u>	<u>\$ 1,692,604</u>

City of McMinnville
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2016

	Information Systems & Services	Insurance Services	Total Internal Service Funds
Operating revenues			
Charges for services	\$ 1,042,299	\$ 893,834	\$ 1,936,133
Miscellaneous	-	133,251	133,251
Total Operating revenues	<u>1,042,299</u>	<u>1,027,085</u>	<u>2,069,384</u>
Operating expenses			
Personnel services	534,211	-	534,211
Materials and services	575,351	743,202	1,318,553
Depreciation	86,336	-	86,336
Total operating expenses	<u>1,195,898</u>	<u>743,202</u>	<u>1,939,100</u>
Operating income (loss)	<u>(153,599)</u>	<u>283,883</u>	<u>130,284</u>
Nonoperating Revenues			
Investment earnings	773	5,260	6,033
Total nonoperating revenues	<u>773</u>	<u>5,260</u>	<u>6,033</u>
Change in Net Position:	(152,826)	289,143	136,317
Net position - beginning	603,775	952,512	1,556,287
Net position - ending	<u>\$ 450,949</u>	<u>\$ 1,241,655</u>	<u>\$ 1,692,604</u>

City of McMinnville, Oregon
Combining Statement of Cash Flows
Internal Services Funds
For the Year Ended June 30, 2016

	<u>Information Systems & Services</u>	<u>Insurance Services</u>	<u>Total</u>
Cash Flows From Operating Activities			
Receipts from interfund services provided	\$ 1,042,299	\$ 892,407	\$ 1,934,706
Other operating receipts	-	133,251	133,251
Payments to suppliers	(550,231)	(841,169)	(1,391,400)
Payments to employees	(405,429)	-	(405,429)
Net cash from operating activities	<u>86,639</u>	<u>184,489</u>	<u>271,128</u>
Cash Flows From Non-Capital Financing Activities			
Principal on pension related obligation	<u>(3,660)</u>	<u>-</u>	<u>(3,660)</u>
Cash Flows From Capital and Related Financing Activities			
Additions to capital assets	<u>(46,692)</u>	<u>-</u>	<u>(46,692)</u>
Cash Flows From Investing Activities			
Interest received	<u>773</u>	<u>5,260</u>	<u>6,033</u>
Increase in Cash and Investments	37,060	189,749	226,809
Cash and Investments - Beginning	<u>174,650</u>	<u>1,141,248</u>	<u>1,315,898</u>
Cash and Investments - Ending	<u>\$ 211,710</u>	<u>\$ 1,330,997</u>	<u>\$ 1,542,707</u>
Reconciliation of Operating Income to Net Cash From Operating Activities			
Operating income	\$ (153,599)	\$ 283,883	\$ 130,284
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	86,336	-	86,336
Pension expense	121,118	-	121,118
Change in current assets and liabilities:			
Receivables	-	(1,427)	(1,427)
Due from component unit	-	-	-
Prepays	(2,490)	-	(2,490)
Accounts payable	27,610	3,907	31,517
Due to component unit	-	(5,669)	(5,669)
Compensated absences	4,637	-	4,637
Other post employment benefits	2,892	-	2,892
Accrued payroll and other payroll liabilities	135	-	135
Other liabilities	-	(96,205)	(96,205)
Net cash from operating activities	<u>\$ 86,639</u>	<u>\$ 184,489</u>	<u>\$ 271,128</u>

City of McMinnville, Oregon
Wastewater Services Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and
Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 9,074,190	\$ 9,074,190	\$ 9,186,181	\$ 111,991
Miscellaneous	8,500	8,500	12,137	3,637
Total revenues	<u>9,082,690</u>	<u>9,082,690</u>	<u>9,198,318</u>	<u>115,628</u>
Expenditures				
Wastewater:				
Wastewater services administration	618,017	618,017	566,355	51,662
Plant	1,724,203	1,724,203	1,643,442	80,761
Environmental services	444,860	444,860	431,789	13,071
Conveyance systems	747,454	747,454	649,928	97,526
Contingencies	300,000	300,000	-	300,000
Total expenditures	<u>3,834,534</u>	<u>3,834,534</u>	<u>3,291,514</u>	<u>543,020</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,248,156</u>	<u>5,248,156</u>	<u>5,906,804</u>	<u>658,648</u>
Other Financing Sources (Uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	(6,558,424)	(6,558,424)	(6,558,424)	-
Total other financing sources (uses)	<u>(6,558,424)</u>	<u>(6,558,424)</u>	<u>(6,558,424)</u>	<u>-</u>
Net change in fund balances	(1,310,268)	(1,310,268)	(651,620)	658,648
Fund balances, budgetary basis - beginning	2,896,669	2,896,669	3,351,570	454,901
Fund balances, budgetary basis - ending	<u>\$ 1,586,401</u>	<u>\$ 1,586,401</u>	<u>\$ 2,699,950</u>	<u>\$ 1,113,549</u>

Wastewater Services Fund and Wastewater Capital Fund Reconciliation of Budgetary Basis to Full Accrual Basis follows
Wastewater Capital Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

City of McMinnville, Oregon
Wastewater Capital Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and
Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 325,000	\$ 325,000	\$ 490,088	\$ 165,088
Miscellaneous	100,850	100,850	70,543	(30,307)
Total revenues	<u>425,850</u>	<u>425,850</u>	<u>560,631</u>	<u>134,781</u>
Expenditures				
Wastewater:				
Materials and services	990,401	990,401	690,302	300,099
Capital outlay	5,750,000	5,750,000	5,187,409	562,591
Contingencies	500,000	500,000	-	500,000
Total expenditures	<u>7,240,401</u>	<u>7,240,401</u>	<u>5,877,711</u>	<u>1,362,690</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,814,551)</u>	<u>(6,814,551)</u>	<u>(5,317,080)</u>	<u>1,497,471</u>
Other Financing Sources (Uses)				
Transfers from other funds	6,260,990	6,260,990	6,260,990	-
Transfers to other funds	(230,222)	(230,222)	(230,222)	-
Total other financing sources (uses)	<u>6,030,768</u>	<u>6,030,768</u>	<u>6,030,768</u>	<u>-</u>
Net change in fund balances	<u>(783,783)</u>	<u>(783,783)</u>	<u>713,688</u>	<u>1,497,471</u>
Fund balances, budgetary basis - beginning	14,199,852	14,199,852	14,150,612	(49,240)
Fund balances, budgetary basis - ending	<u>\$ 13,416,069</u>	<u>\$ 13,416,069</u>	<u>\$ 14,864,300</u>	<u>\$ 1,448,231</u>

Wastewater Services Fund and Wastewater Capital Fund Reconciliation of Budgetary Basis to Full Accrual Basis follows
Wastewater Capital Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

City of McMinnville, Oregon
Wastewater Services Fund
Reconciliation of Budgetary Basis to Full Accrual Basis
For the Year Ended June 30, 2016

Reconciliation:	
Wastewater Services Fund balances, budgetary basis - ending	\$ 2,699,950
Wastewater Capital Fund balances, budgetary basis - ending	14,864,300
Capital assets	102,257,642
Accumulated depreciation	(45,184,025)
Compensated absences payable	(114,292)
Other post employment benefits	(127,714)
Net pension liability	(969,535)
Deferred outflows of resources - pension	268,377
Deferred inflows of resources - pension	(229,362)
Pension-related obligation	(325,734)
Net position, full accrual - ending	<u>\$ 73,139,607</u>
Wastewater Services charges for services, budgetary basis	\$ 9,186,181
Wastewater Capital charges for services, budgetary basis	490,088
Development charges and fees	(490,088)
Other revenue, property rentals	(19,638)
Charges for services, full accrual basis	<u>\$ 9,166,543</u>
Wastewater Services expenditures, budgetary basis	\$ 3,291,514
Wastewater Capital expenditures, budgetary basis	5,877,711
Change in compensated absences	6,690
Change in accrued payroll and other payroll liabilities	(37,320)
Change in other post employment benefits	13,471
Pension expense	775,162
Principal payment on pension-related obligations	(21,800)
Expenditures capitalized	(5,303,697)
Transfers to other funds - services provided	527,656
Depreciation	2,681,967
Operating expenses, full accrual basis	<u>\$ 7,811,354</u>
Wastewater Services other financing sources (uses), budgetary basis	\$ (6,558,424)
Wastewater Capital other financing sources (uses), budgetary basis	6,030,768
Transfers to other funds - services provided	527,656
Total contributions and transfers, full accrual basis	<u>\$ -</u>

City of McMinnville, Oregon
Ambulance Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and
Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 5,200	\$ 5,200	\$ 46,484	\$ 41,284
Charges for services	3,230,000	3,230,000	3,702,476	472,476
Miscellaneous	38,550	38,550	41,267	2,717
Total revenues	3,273,750	3,273,750	3,790,227	516,477
Expenditures				
Personnel services	3,071,748	3,161,748	3,100,488	61,260
Materials and services	854,937	852,937	773,116	79,821
Capital outlay	181,903	233,903	217,619	16,284
Contingencies	300,000	160,000	-	160,000
Total expenditures	4,408,588	4,408,588	4,091,223	317,365
Excess (deficiency) of revenues over (under) expenditures	(1,134,838)	(1,134,838)	(300,996)	833,842
Other Financing Sources (Uses)				
Transfers from other funds	1,150,000	1,150,000	1,150,000	-
Transfers to other funds	(312,834)	(312,834)	(312,834)	-
Total other financing sources (uses)	837,166	837,166	837,166	-
Net change in fund balance:	(297,672)	(297,672)	536,170	833,842
Fund balances, budgetary basis - beginning	806,052	806,052	814,193	8,141
Fund balances, budgetary basis - ending	\$ 508,380	\$ 508,380	1,350,363	\$ 841,983
Add (deduct):				
Allowance for uncollectible:			(123,900)	-71664
Capital assets			1,330,462	1,269,490
Accumulated depreciation			(534,391)	-621220
Compensated absences payable			(163,545)	-166911
Other post employment benefit:			(188,713)	-166787
Net pension liability			(1,703,150)	664502
Deferred outflow of resources - pension			471,449	344760
Deferred inflow of resources - pension			(402,913)	-1282220
Pension-related obligation			(572,304)	-610600
Net position, full accrual - ending			\$ (536,642)	
Reconciliation				
Charges for service, budgetary basis			3,702,476	
Medical write-offs			(329,342)	
Charges for services, full accrual basis			\$ 3,373,134	
Expenditures, budgetary basis				
Change in compensated absence:			\$ 4,091,223	
Change in accrued payroll and other payroll			(3,366)	
Change in other post employment benefit			(57,686)	
Pension expense			21,926	
Principal paid on pension-related obligation			1,361,656	
Change in allowance for doubtful account			(38,296)	
Medical write-offs			52,235	
Expenditures capitalizer			(329,342)	
Transfers to other funds - services provided			(213,418)	
Depreciation			231,834	
Operating expenses, full accrual basis:			\$ 5,125,215	
Other financing sources (uses), budgetary basis				
Transfers to other funds - services provided			\$ 837,166	
Total contributions and transfers, full accrual basis:			231,834	
			\$ 1,069,000	

City of McMinnville, Oregon
Building Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and
Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 453,000	\$ 453,000	\$ 393,079	\$ (59,921)
Miscellaneous	5,500	5,500	5,351	(149)
Total revenues	<u>458,500</u>	<u>458,500</u>	<u>398,430</u>	<u>(60,070)</u>
Expenditures				
Building:				
Personnel services	349,175	349,175	234,158	115,017
Materials and services	60,554	60,154	49,087	11,067
Capital Outlay	15,373	15,773	684	15,089
Contingencies	75,000	75,000	-	75,000
Total expenditures	<u>500,102</u>	<u>500,102</u>	<u>283,929</u>	<u>216,173</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(41,602)</u>	<u>(41,602)</u>	<u>114,501</u>	<u>156,103</u>
Other Financing Sources (Uses)				
Transfers from other funds	-	-	-	-
Transfers to other funds	(39,238)	(39,238)	(39,238)	-
Total other financing sources (uses)	<u>(39,238)</u>	<u>(39,238)</u>	<u>(39,238)</u>	<u>-</u>
Net change in fund balances	(80,840)	(80,840)	75,263	156,103
Fund balances, budgetary basis - beginning	585,933	585,933	605,656	19,723
Fund balances, budgetary basis - ending	<u>\$ 505,093</u>	<u>\$ 505,093</u>	<u>680,919</u>	<u>\$ 175,826</u>
Add (deduct):				
Capital assets			381,887	PY FS 381,887
Accumulated depreciation			(126,098)	(116,377)
Compensated absences payable			(10,916)	(12,121)
Other post employment benefits			(23,459)	(21,803)
Net pension liability			(161,589)	63,179
Deferred outflow of resources - pension			44,729	32,778
Deferred inflow of resources - pension			(38,227)	(121,910)
Pension-related obligation			(54,421)	(58,053)
Net position, full accrual - ending			<u>\$ 692,825</u>	
Reconciliation:				
Expenditures, budgetary basis			\$ 283,929	
Change in compensated absences			(1,205)	
Change in accrued payroll and related liabilities			(5,283)	
Change in other post employment benefits			1,656	
Transfers to other funds - services provided			39,238	
Depreciation			9,721	
Pension expense			129,134	
Principal payment on pension-related			(3,633)	
Operating expenses, full accrual basis			<u>\$ 453,557</u>	
Other financing sources (uses), budgetary basis			\$ (39,238)	
Transfers to other funds - services provided			39,238	
Total contributions and transfers, full accrual basis			<u>\$ -</u>	

City of McMinnville, Oregon
Information Systems & Services Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and
Actual
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 678,127	\$ 678,127	\$ 628,103	\$ (50,024)
Miscellaneous	1,000	1,000	773	(227)
Total revenues	<u>679,127</u>	<u>679,127</u>	<u>628,876</u>	<u>(50,251)</u>
Expenditures				
Personnel services	414,196	414,196	408,892	5,304
Materials and services	657,827	627,827	575,351	52,476
Capital outlay	30,000	60,000	55,086	4,914
Contingencies	65,000	65,000	-	65,000
Total expenditures	<u>1,167,023</u>	<u>1,167,023</u>	<u>1,039,329</u>	<u>127,694</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(487,896)</u>	<u>(487,896)</u>	<u>(410,453)</u>	<u>77,443</u>
Other Financing Sources (Uses)				
Transfers from other funds	414,196	414,196	414,196	-
Total other financing sources (uses)	<u>414,196</u>	<u>414,196</u>	<u>414,196</u>	<u>-</u>
Net change in fund balances	(73,700)	(73,700)	3,743	77,443
Fund balances, budgetary basis - beginning	200,657	200,657	159,404	(41,253)
Fund balances, budgetary basis - ending	<u>\$ 126,957</u>	<u>\$ 126,957</u>	<u>163,147</u>	<u>\$ 36,190</u>
Add (deduct):				
Capital assets			2,270,845	2,215,760
Accumulated depreciation			(1,738,718)	(1,643,989)
Pension liability			(154,048)	63,489
Deferred outflows of resources - pension			42,048	32,940
Deferred inflows of resources - pension			(35,196)	(122,507)
Compensated absences payable			(18,644)	(14,007)
Other post employment benefits			(23,806)	(20,914)
Pension related debt			(54,679)	(58,339)
Net position, full accrual - ending			<u>\$ 450,949</u>	
Reconciliation:				
Charges for services, budgetary basis			\$ 628,103	
Transfers from other funds - services provided			414,196	
Charges for services, full accrual basis			<u>\$ 1,042,299</u>	
Expenditures, budgetary basis			\$ 1,039,329	
Change in compensated absences			4,637	
Change in other post employment benefits			2,892	
Change in accrued payroll and related liabilities			(8,062)	
Pension expense			121,118	
Expenditures capitalized			(46,692)	
Depreciation			86,336	
Principal paid on pension related obligation			(3,660)	
Operating expenses, full accrual basis			<u>\$ 1,195,898</u>	
Other financing sources (uses), budgetary basis			\$ 414,196	
Transfers from other funds - services provided			(414,196)	
Total contributions and transfers, full accrual basis			<u>\$ -</u>	

**City of McMinnville, Oregon
Insurance Services Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	940,345	940,345	893,834	(46,511)
Miscellaneous	111,100	111,100	138,512	27,412
Total revenues	<u>1,051,445</u>	<u>1,051,445</u>	<u>1,032,346</u>	<u>(19,099)</u>
Expenditures				
Materials and services	1,009,600	1,009,600	800,905	208,695
Contingencies	100,000	100,000	-	100,000
Total expenditures	<u>1,109,600</u>	<u>1,109,600</u>	<u>800,905</u>	<u>308,695</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(58,155)</u>	<u>(58,155)</u>	<u>231,441</u>	<u>289,596</u>
Other Financing Sources (Uses)				
Transfers to other funds	(63,503)	(63,503)	(38,503)	25,000
Total other financing sources (uses)	<u>(63,503)</u>	<u>(63,503)</u>	<u>(38,503)</u>	<u>25,000</u>
Net change in fund balances	(121,658)	(121,658)	192,938	314,596
Fund balances, budgetary basis - beginning	1,020,384	1,020,384	1,114,014	93,630
Fund balances, budgetary basis - ending	<u>\$ 898,726</u>	<u>\$ 898,726</u>	<u>1,306,952</u>	<u>\$ 408,226</u>
Add (deduct):				
Insurance claims payable			(65,297)	
Net position, full accrual - ending			<u>\$ 1,241,655</u>	
Reconciliation:				
Expenditures, budgetary basis			\$ 800,905	
Transfers to other funds - services provided			38,503	
Change in insurance claims liability			(96,206)	
Operating expenses, full accrual basis			<u>\$ 743,202</u>	
Other financing sources (uses), budgetary basis			\$ (38,503)	
Transfers to other funds - services provided			38,503	
Total contributions and transfers, full accrual basis			<u>\$ -</u>	

OTHER FINANCIAL SCHEDULES

- Schedule of Expenditures of Federal Awards
- Schedule of Future Debt Service Requirements
- Schedule of Property Tax Transactions
- Schedule of Accountability for Independently Elected Officials





City of McMinnville, Oregon
Schedule of Future Debt Service Requirements
June 30, 2016

Fiscal Year of Maturity	Public Safety Civic Buildings Construction Bonds Issued November 14, 2006 3.75 - 5.50%		Park System Improvement Bonds Issued October 6, 2011 2.00 - 4.00%		Public Safety Civic Buildings Advance Refunding 2015 Issued April 16, 2015 2.50 - 5.00%		Transportation Bonds 2015 Issued April 16, 2015 2.50 - 5.00%	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2016-17	640,000	12,800	550,000	88,000	-	317,300	1,100,000
2017-18	-	-	555,000	76,950	650,000	317,300	1,200,000	617,850
2018-19	-	-	570,000	65,700	670,000	297,800	875,000	581,850
2019-20	-	-	580,000	51,300	700,000	271,000	915,000	546,850
2020-21	-	-	600,000	33,600	725,000	243,000	950,000	510,250
2021-22	-	-	615,000	12,300	650,000	221,250	980,000	481,750
2022-23	-	-	-	-	680,000	188,750	1,025,000	432,750
2023-24	-	-	-	-	720,000	154,750	1,080,000	381,500
2024-25	-	-	-	-	755,000	118,750	1,130,000	327,500
2025-26	-	-	-	-	790,000	81,000	1,190,000	271,000
2026-27	-	-	-	-	830,000	41,500	1,245,000	211,500
2027-28	-	-	-	-	-	-	1,310,000	149,250
2028-29	-	-	-	-	-	-	1,360,000	96,850
2029-30	-	-	-	-	-	-	1,415,000	42,450
	<u>\$ 640,000</u>	<u>\$ 12,800</u>	<u>\$ 3,470,000</u>	<u>\$ 327,850</u>	<u>\$ 7,170,000</u>	<u>\$ 2,252,400</u>	<u>\$ 15,775,000</u>	<u>\$ 5,302,200</u>

Add:

- General obligation bond premium - park system improvements
- General obligation bond premium - public safety buildings advance refunding
- General obligation bond premium - transportation

City of McMinnville, Oregon
Schedule of Accountability for Independently Elected Officials
June 30, 2016

The City has no independently elected officials who collect or receive money for or from the City.



CITY OF MCMINNVILLE, OREGON
SCHEDULE OF PROPERTY TAX TRANSACTION:
Year Ended June 30, 2016

	<u>Tax Year</u>	<u>Uncollected July 1, 2015</u>	<u>Levy as Extended by Assessor</u>	<u>Discounts Allowec</u>
Current year	2015-16	\$ -	\$ 15,205,509	\$ (385,878)
Prior years	2014-15	538,413	-	-
	2013-14	305,577	-	-
	2012-13	204,317	-	-
	2011-12	86,883	-	-
	2010-11	56,662	-	-
	2009-10 and prior years	<u>100,584</u>	<u>-</u>	<u>-</u>
Total prior years		<u>1,292,436</u>	<u>-</u>	<u>-</u>
		<u>\$ 1,292,436</u>	<u>\$ 15,205,509</u>	<u>\$ (385,878)</u>
Reconciliation of property taxes receivable by fund				
General Fund				\$ 1,159,823
Debt Service Fund				183,523
Urban Renewal Debt Service Fund				<u>6,286</u>
				<u>\$ 1,349,633</u>
Reconciliation of property tax collections to revenue on the fund financial statements				
Collections				\$ 14,694,683
Adjustment to modified accual basis				<u>(6,302)</u>
Total property tax revenue				<u>\$ 14,688,381</u>
General Fund				11,861,826
Debt Service Fund				2,708,189
UR Debt Service Fund				<u>118,366</u>
				<u>\$ 14,688,381</u>

<u>Interest</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Uncollected June 30, 2016</u>
\$ 9,357	\$ (123,404)	\$ (14,162,369)	\$ 543,215
16,879	(12,486)	(269,268)	273,538
19,651	(3,025)	(122,892)	199,311
21,191	(1,971)	(91,977)	131,560
8,894	(1,991)	(32,200)	61,586
1,976	(1,805)	(5,253)	51,580
<u>5,768</u>	<u>(6,786)</u>	<u>(10,724)</u>	<u>88,842</u>
<u>74,359</u>	<u>(28,064)</u>	<u>(532,314)</u>	<u>806,417</u>
<u>\$ 83,716</u>	<u>\$ (151,468)</u>	<u>\$ (14,694,683)</u>	<u>\$ 1,349,632</u>



STATISTICAL SECTION

This part of the City's *Comprehensive Annual Financial Report (CAFR)* presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about the City's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, property tax and sewer charges.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.





City of McMinnville, Oregon
Net Position by Component
Last Ten Fiscal Years
(full accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Primary Government:			
Governmental activities:			
Invested in capital assets (b) (e)	\$ 62,898,370	\$ 65,247,969	\$ 64,720,490
Restricted (a) (f)	2,876,332	3,827,337	3,011,121
Unrestricted (c)	<u>10,696,218</u>	<u>10,479,495</u>	<u>9,478,673</u>
Total governmental activities net position (c)	<u>\$ 76,470,920</u>	<u>\$ 79,554,801</u>	<u>\$ 77,210,284</u>
Business-type activities:			
Invested in capital assets (b)	\$ 32,603,644	\$ 33,806,347	\$ 35,556,686
Restricted (a)	-	-	374,891
Unrestricted	<u>14,664,424</u>	<u>17,833,067</u>	<u>19,339,695</u>
Total business-type activities net position (c)	<u>\$ 47,268,068</u>	<u>\$ 51,639,414</u>	<u>\$ 55,271,272</u>
Primary government:			
Invested in capital assets	\$ 95,502,014	\$ 99,054,316	\$ 100,277,176
Restricted	2,876,332	3,827,337	3,386,012
Unrestricted (h)	<u>25,360,642</u>	<u>28,312,562</u>	<u>28,818,368</u>
Total primary government net position (d)	<u>\$ 123,738,988</u>	<u>\$ 131,194,215</u>	<u>\$ 132,481,556</u>
Component unit:			
Water and Light:			
Invested in capital assets (g)	\$ 78,018,533	\$ 83,072,182	\$ 97,147,985
Unrestricted (h)	<u>39,601,674</u>	<u>42,264,683</u>	<u>33,751,837</u>
Total component uni	<u>\$ 117,620,207</u>	<u>\$ 125,336,865</u>	<u>\$ 130,899,822</u>

(a) As of fiscal year 2008-09, Building moved from governmental activity to business-type activity.

(b) In fiscal year 2009-10, the City implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This required a restatement of beginning net position of \$1,372,088 for governmental activities and \$231,078 for business-type activities making a total adjustment to primary government of \$1,603,166 for retroactive easements.

(c) In fiscal year 2010-11, the City recorded prior period adjustment of \$316,997 in governmental activities to account for assets set aside in an investment account for the Length of Service Awards program (LOSAP). Beginning net position is restated from \$76,365,880 to \$76,682,877.

(d) In fiscal year 2012-13, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result, net assets have been renamed to net position.

Fiscal Year Ended June 30,

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014 Restated</u>	<u>2015 Restated</u>	<u>2016</u>
\$ 64,577,951	\$ 62,431,482	\$ 59,774,579	\$ 60,826,806	\$ 59,579,789	\$ 59,688,968	\$ 60,243,871
3,223,454	3,745,053	4,034,072	4,139,865	5,932,257	23,156,125	22,841,795
8,881,472	9,436,731	9,748,354	10,719,116	1,318,592	(11,568,107)	(20,675,519)
<u>\$ 76,682,877</u>	<u>\$ 75,613,266</u>	<u>\$ 73,557,005</u>	<u>\$ 75,685,787</u>	<u>\$ 66,830,638</u>	<u>\$ 71,276,986</u>	<u>\$ 62,410,147</u>
\$ 38,573,448	\$ 41,736,064	\$ 44,032,172	\$ 45,568,283	\$ 48,275,891	\$ 55,205,674	\$ 58,125,477
284,065	183,776	148,044	178,933	299,781	482,442	437,036
19,444,666	18,683,904	18,976,324	20,057,090	17,437,601	15,948,799	14,733,277
<u>\$ 58,302,179</u>	<u>\$ 60,603,744</u>	<u>\$ 63,156,540</u>	<u>\$ 65,804,306</u>	<u>\$ 66,013,273</u>	<u>\$ 71,636,915</u>	<u>\$ 73,295,790</u>
\$ 103,151,399	\$ 104,167,546	\$ 103,806,751	\$ 106,395,089	\$ 107,855,680	\$ 114,894,642	\$ 118,369,348
3,507,519	3,928,829	4,182,116	4,318,798	6,232,038	23,638,567	23,278,831
28,326,138	28,120,635	28,724,678	30,776,206	18,756,193	4,380,692	(5,942,242)
<u>\$ 134,985,056</u>	<u>\$ 136,217,010</u>	<u>\$ 136,713,545</u>	<u>\$ 141,490,093</u>	<u>\$ 132,843,911</u>	<u>\$ 142,913,901</u>	<u>\$ 135,705,937</u>
\$ 103,852,317	\$ 103,521,631	\$ 106,683,105	\$ 115,135,213	\$ 118,079,561	\$ 121,446,462	\$ 123,113,177
28,853,295	32,006,301	33,671,841	31,952,469	31,127,734	36,515,824	36,415,854
<u>\$ 132,705,612</u>	<u>\$ 135,527,932</u>	<u>\$ 140,354,946</u>	<u>\$ 147,087,682</u>	<u>\$ 149,207,295</u>	<u>\$ 157,962,286</u>	<u>\$ 159,529,031</u>

(e) In fiscal year 2013-14, the City had a restatement to account for a change in accounting principle. The City changed street and sewer infrastructure depreciaton from the composite method to the straight line method. This required a restatement of beginning net position of \$3,263,218 for governmental activities.

(f) In fiscal year 2013-14, the City had a restatement to recognize revenue of \$383,161. Governmental activities net position required a restatement increasing restricted net positions for Highways and Streets by \$155,728 and unrestricted net position by \$227,433.

(g) In fiscal year 2012-13, the component unit Water and Light included an interfund loan in Invested in capital assets. This was corrected in fiscal year 2013-14 with no change to total net position.

(h) In fiscal year 2014-15, the City and the Department had a restatement of \$11,324,390

City of McMinnville, Oregon
Changes in Net Position
Last Ten Fiscal Years
(full accrual basis of accounting)

<u>Functions/Programs</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses			
Primary government:			
Governmental activities:			
General government (a)	\$ 2,655,004	\$ 1,984,604	\$ 2,347,704
Community development (e)	1,607,780	1,811,174	1,246,693
Public safety:			
Police	5,123,969	5,690,199	6,455,520
Fire	1,658,654	1,704,098	2,522,183
Emergency communications	754,142	760,164	809,875
Highways and streets	3,302,674	3,137,661	3,616,479
Culture and recreation:			
Parks and recreation	3,432,363	3,528,723	3,985,158
Library	1,440,647	1,488,868	1,534,563
Airport	325,485	590,710	640,968
Interest on long-term debt	<u>773,903</u>	<u>915,543</u>	<u>871,822</u>
Total governmental activities expenses	<u>21,074,621</u>	<u>21,611,744</u>	<u>24,030,965</u>
Business-type activities:			
Wastewater	5,855,037	6,052,599	5,873,978
Ambulance	2,241,064	2,264,966	2,373,384
Building (e)	<u>-</u>	<u>-</u>	<u>596,800</u>
Total business-type activities expenses	<u>8,096,101</u>	<u>8,317,565</u>	<u>8,844,162</u>
Total primary government expenses	<u>\$ 29,170,722</u>	<u>\$ 29,929,309</u>	<u>\$ 32,875,127</u>
Component unit:			
Water and Light	<u>\$ 38,592,365</u>	<u>\$ 39,809,429</u>	<u>\$ 33,326,936</u>
Indirect expense allocation (f)			
Primary government:			
Governmental activities:			
General government	\$ (626,919)	\$ (703,624)	\$ -
Community development	(346,209)	(339,846)	-
Public safety:			
Police	61,234	95,954	-
Fire	390,355	429,429	-
Emergency communications	-	-	-
Highways and streets	188,744	187,281	-
Culture and recreation:			
Parks and recreation	197,256	177,972	-
Library	65,222	59,720	-
Airport	<u>27,949</u>	<u>26,608</u>	<u>-</u>
Total governmental activities indirect expenses	<u>(42,368)</u>	<u>(66,506)</u>	<u>-</u>
Business-type activities:			
Wastewater	230,064	269,875	-
Ambulance	<u>(187,696)</u>	<u>(203,369)</u>	<u>-</u>
Total business-type activities indirect expenses	<u>42,368</u>	<u>66,506</u>	<u>-</u>
Total primary government indirect expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Fiscal Year Ended June 30,

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 2,060,894	\$ 2,158,145	\$ 1,918,406	\$ 1,869,910	\$ 2,031,927	\$ 2,065,497	\$ 7,389,396
1,299,144	1,328,719	1,289,638	1,283,292	1,215,961	949,452	1,341,282
6,548,127	6,299,749	6,722,412	7,092,755	7,571,954	5,959,530	10,792,039
2,544,874	2,686,012	2,466,866	2,534,766	2,537,593	2,048,332	2,766,437
818,172	837,736	1,077,885	617,610	798,106	1,124,854	812,742
3,478,409	3,453,560	3,347,084	3,839,179	2,443,173	2,964,608	4,804,574
4,014,812	4,095,241	4,174,915	4,074,988	4,113,605	3,810,278	5,103,934
1,567,266	1,469,682	1,507,964	1,416,283	1,343,265	1,092,515	1,448,885
517,465	784,816	552,179	553,974	560,272	692,357	1,147,840
826,167	786,277	613,154	525,129	484,383	519,917	614,253
<u>23,675,330</u>	<u>23,899,937</u>	<u>23,670,503</u>	<u>23,807,886</u>	<u>23,100,239</u>	<u>21,227,340</u>	<u>36,221,382</u>
5,811,243	5,753,542	5,853,298	5,818,847	5,808,434	5,523,163	7,811,354
2,449,268	2,532,569	3,068,413	3,395,105	3,508,377	2,868,982	5,125,215
446,236	415,676	406,630	277,561	283,842	225,229	453,557
<u>8,706,747</u>	<u>8,701,787</u>	<u>9,328,341</u>	<u>9,491,513</u>	<u>9,600,653</u>	<u>8,617,374</u>	<u>13,390,126</u>
<u>\$ 32,382,077</u>	<u>\$ 32,601,724</u>	<u>\$ 32,998,844</u>	<u>\$ 33,299,399</u>	<u>\$ 32,700,892</u>	<u>\$ 29,844,714</u>	<u>\$ 49,611,508</u>
<u>\$ 36,062,095</u>	<u>\$ 37,802,141</u>	<u>\$ 40,626,635</u>	<u>\$ 41,583,845</u>	<u>\$ 43,187,324</u>	<u>\$ 42,099,300</u>	<u>\$ 44,911,690</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
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-	-	-	-	-	-	-
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-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

City of McMinnville, Oregon
Changes in Net Position
Last Ten Fiscal Years
(full accrual basis of accounting)

<u>Functions/Programs</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Program revenues			
Primary government:			
Governmental activities:			
Charges for services:			
General government	\$ 448,876	\$ 389,323	\$ 540,622
Community development (e)	999,440	957,770	503,816
Public safety:			
Police	905,620	1,011,006	981,277
Fire	288,870	286,520	278,779
Emergency communications	-	-	-
Highways and streets (c)	469,354	883,058	131,051
Culture and recreation:			
Parks and recreation	1,373,159	1,265,177	1,071,145
Library	58,578	54,006	54,417
Airport	211,823	218,171	188,858
Operating grants and contributions	2,039,741	1,966,268	1,764,579
Capital grants and contributions (d)	6,658,636	3,889,300	3,278,780
Total governmental activities program revenues	<u>13,454,097</u>	<u>10,920,599</u>	<u>8,793,324</u>
Business-type activities:			
Charges for services:			
Wastewater	8,706,664	8,999,557	8,351,447
Ambulance	1,758,899	2,120,051	2,390,286
Building (e)	-	-	201,002
Operating grants and contributions	4,841	-	3,065
Capital grants and contributions (d)	973,666	672,870	-
Total business-type activities program revenues	<u>11,444,070</u>	<u>11,792,478</u>	<u>10,945,800</u>
Total primary government program revenues	<u>\$ 24,898,167</u>	<u>\$ 22,713,077</u>	<u>\$ 19,739,124</u>
Component unit:			
Water and Light:			
Charges for services	\$ 40,193,347	\$ 41,198,256	\$ 34,620,277
Operating grants and contributions	746,201	441,624	187,957
Capital grants and contributions	1,760,168	1,592,616	364,500
Total component unit program revenues	<u>\$ 42,699,716</u>	<u>\$ 43,232,496</u>	<u>\$ 35,172,734</u>
Net revenue (expense)			
Primary government:			
Governmental activities	\$ (7,578,156)	\$ (10,624,639)	\$ (15,237,641)
Business-type activities	3,305,601	3,408,407	2,101,638
Total primary government net revenue (expense)	<u>\$ (4,272,555)</u>	<u>\$ (7,216,232)</u>	<u>\$ (13,136,003)</u>
Component unit:			
Water and Light	<u>\$ 4,107,351</u>	<u>\$ 3,423,067</u>	<u>\$ 1,845,798</u>

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 496,923	\$ 485,866	\$ 482,333	\$ 477,936	\$ 569,633	\$ 719,791	\$ 1,074,482
488,288	515,582	524,366	571,421	611,380	743,044	770,042
956,903	817,709	824,755	893,005	717,134	661,192	739,236
295,593	323,276	313,154	340,253	347,407	378,028	419,445
-	-	-	12,500	13,130	12,480	12,090
169,585	324,786	194,534	190,481	160,383	344,459	253,342
1,073,688	1,217,185	1,223,292	1,248,255	1,317,763	1,574,113	1,525,952
58,820	55,200	56,719	69,482	45,433	55,294	44,693
220,329	233,651	237,082	239,436	244,969	247,965	260,293
2,554,203	2,174,634	2,263,584	2,234,195	2,281,464	2,460,484	2,654,786
1,087,252	1,935,658	674,099	761,169	679,849	1,949,416	2,542,985
<u>7,401,584</u>	<u>8,083,547</u>	<u>6,793,918</u>	<u>7,038,133</u>	<u>6,988,545</u>	<u>9,146,266</u>	<u>10,297,346</u>
8,244,213	8,292,062	8,453,886	8,554,156	9,076,321	9,911,181	9,166,543
2,320,010	2,275,122	2,739,983	2,846,540	2,646,881	2,911,613	3,373,134
334,380	295,934	297,204	290,537	390,852	561,441	393,079
33,979	-	-	564	-	76	-
34,704	-	24,943	106,632	37,206	377,475	650,082
<u>10,967,286</u>	<u>10,863,118</u>	<u>11,516,016</u>	<u>11,798,429</u>	<u>12,151,260</u>	<u>13,761,786</u>	<u>13,582,838</u>
<u>\$ 18,368,870</u>	<u>\$ 18,946,665</u>	<u>\$ 18,309,934</u>	<u>\$ 18,836,562</u>	<u>\$ 19,139,805</u>	<u>\$ 22,908,052</u>	<u>\$ 23,880,184</u>
\$ 35,302,190	\$ 36,534,385	\$ 41,122,520	\$ 43,030,261	\$ 44,662,133	\$ 44,944,442	\$ 45,275,019
510,961	187,233	400,388	-	-	-	-
254,723	334,413	242,183	474,900	909,683	1,560,929	974,832
<u>\$ 36,067,874</u>	<u>\$ 37,056,031</u>	<u>\$ 41,765,091</u>	<u>\$ 43,505,161</u>	<u>\$ 45,571,816</u>	<u>\$ 46,505,371</u>	<u>\$ 46,249,851</u>
\$(16,273,746)	\$(15,816,390)	\$(16,876,585)	\$(16,769,753)	\$(16,111,694)	\$(12,081,074)	\$(25,924,036)
2,260,539	2,161,331	2,187,675	2,306,916	2,550,607	5,144,412	192,712
<u>\$(14,013,207)</u>	<u>\$(13,655,059)</u>	<u>\$(14,688,910)</u>	<u>\$(14,462,837)</u>	<u>\$(13,561,087)</u>	<u>\$(6,936,662)</u>	<u>\$(25,731,324)</u>
<u>\$ 5,779</u>	<u>\$ (746,110)</u>	<u>\$ 1,138,456</u>	<u>\$ 1,921,316</u>	<u>\$ 2,384,492</u>	<u>\$ 4,406,071</u>	<u>\$ 1,338,161</u>

(Continued)

City of McMinnville, Oregon
Changes in Net Position
Last Ten Fiscal Years
(full accrual basis of accounting)

<u>Functions/Programs</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General revenues and other changes in net position			
Primary government:			
Governmental activities:			
Taxes			
Property taxes	\$ 9,435,904	\$ 10,350,548	\$ 11,053,039
Franchise taxes	2,320,014	2,376,220	2,140,723
Transient lodging taxes	-	-	-
Unrestricted state shared revenues	588,482	662,919	672,334
Unrestricted investment earnings (g)	709,041	614,480	235,839
Gain (loss) on disposal of capital assets		2,740	-
Other, net	-	-	-
Transfers (b)	<u>(308,620)</u>	<u>(298,387)</u>	<u>(1,208,811)</u>
Total governmental activities	<u>12,744,821</u>	<u>13,708,520</u>	<u>12,893,124</u>
Business-type activities:			
Unrestricted investment earnings (g)	649,483	664,552	321,409
Gain (loss) on disposal of capital assets	-	-	-
Other, net	-	-	-
Transfers (b)	<u>308,620</u>	<u>298,387</u>	<u>1,208,811</u>
Total business-type activities	<u>958,103</u>	<u>962,939</u>	<u>1,530,220</u>
Total primary government	<u>\$ 13,702,924</u>	<u>\$ 14,671,459</u>	<u>\$ 14,423,344</u>
Component unit:			
Water and Light:			
Unrestricted investment earnings (g)	\$ 1,831,449	\$ 1,712,036	\$ 872,186
Gain (loss) on disposal of capital assets	-	94,862	-
Timber sales, net of related expenses	2,158,598	1,460,202	1,726,608
Other, net	319,848	1,026,491	1,118,365
Interest expense	-	-	-
Total component unit	<u>\$ 4,309,895</u>	<u>\$ 4,293,591</u>	<u>\$ 3,717,159</u>
Change in net position			
Primary government:			
Governmental activities	\$ 5,166,665	\$ 3,083,881	\$ (2,344,517)
Business-type activities	<u>4,263,704</u>	<u>4,371,346</u>	<u>3,631,858</u>
Total primary government	<u>\$ 9,430,369</u>	<u>\$ 7,455,227</u>	<u>\$ 1,287,341</u>
Component unit:			
Water and Light	<u>\$ 8,417,246</u>	<u>\$ 7,716,658</u>	<u>\$ 5,562,957</u>

(a) During fiscal years 2005-06 and 2006-07, the City expended approximately \$1,817,000 and \$715,000, respectively, to build the Virginia Garcia Memorial Health Center, a primary care clinic. The City does not own the facility and therefore did not capitalize expenditures.

(b) From fiscal year 2006-07 through 2014-15, transfers from the General Fund to Ambulance Fund to subsidize operations. During fiscal year 2008-09, Building net position of \$763,000 were transferred from governmental activities to business-type activities.

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 11,573,566	\$ 11,860,485	\$ 11,880,645	\$ 12,145,519	\$ 12,457,511	\$ 12,937,499	\$ 14,751,884
2,191,818	2,202,237	2,441,291	2,486,923	2,538,348	2,548,881	2,504,237
-	-	-	-	235,874	574,911	644,878
685,444	692,662	683,388	760,551	807,749	834,087	825,156
57,829	60,685	85,988	95,507	97,482	78,040	86,079
-	4,858	3,475	3,300	1,637	(56,454)	-
-	-	-	-	-	-	617,243
<u>(451,403)</u>	<u>(74,148)</u>	<u>(274,463)</u>	<u>(239,644)</u>	<u>(537,400)</u>	<u>(389,542)</u>	<u>(1,327,911)</u>
<u>14,057,254</u>	<u>14,746,779</u>	<u>14,820,324</u>	<u>15,252,156</u>	<u>15,601,201</u>	<u>16,527,422</u>	<u>18,101,566</u>
87,887	66,086	90,657	101,206	100,694	89,688	76,170
-	-	-	-	-	-	(50,308)
-	-	-	-	-	-	112,390
<u>451,403</u>	<u>74,148</u>	<u>274,463</u>	<u>239,644</u>	<u>537,400</u>	<u>389,542</u>	<u>1,327,911</u>
<u>539,290</u>	<u>140,234</u>	<u>365,120</u>	<u>340,850</u>	<u>638,094</u>	<u>479,230</u>	<u>1,466,163</u>
<u>\$ 14,596,544</u>	<u>\$ 14,887,013</u>	<u>\$ 15,185,444</u>	<u>\$ 15,593,006</u>	<u>\$ 16,239,295</u>	<u>\$ 17,006,652</u>	<u>\$ 19,567,729</u>
\$ 323,950	\$ 425,450	\$ 422,467	\$ 182,845	\$ 199,400	\$ 167,244	\$ 264,782
-	-	-	-	-	(199,620)	(913,815)
832,598	1,355,475	2,605,898	3,962,482	2,243,586	3,324,530	2,364,804
643,463	1,787,505	660,193	666,093	1,318,548	1,019,342	1,304,702
-	-	-	-	-	37,424	(60,735)
<u>\$ 1,800,011</u>	<u>\$ 3,568,430</u>	<u>\$ 3,688,558</u>	<u>\$ 4,811,420</u>	<u>\$ 3,761,534</u>	<u>\$ 4,348,920</u>	<u>\$ 2,959,738</u>
\$ (2,216,492)	\$ (1,069,611)	\$ (2,056,261)	\$ (1,517,597)	\$ (510,493)	\$ 4,446,348	\$ (7,822,470)
<u>2,799,829</u>	<u>2,301,565</u>	<u>2,552,795</u>	<u>2,647,766</u>	<u>3,188,701</u>	<u>5,623,642</u>	<u>1,658,875</u>
<u>\$ 583,337</u>	<u>\$ 1,231,954</u>	<u>\$ 496,534</u>	<u>\$ 1,130,169</u>	<u>\$ 2,678,208</u>	<u>\$ 10,069,990</u>	<u>\$ (6,163,595)</u>
<u>\$ 1,805,790</u>	<u>\$ 2,822,320</u>	<u>\$ 4,827,014</u>	<u>\$ 6,732,736</u>	<u>\$ 6,146,026</u>	<u>\$ 8,754,991</u>	<u>\$ 4,297,899</u>

(Continued)

City of McMinnville, Oregon
Changes in Net Position
Last Ten Fiscal Years
(full accrual basis of accounting)

(c) During fiscal year 2007-08, transportation system development charges doubled due to significant construction projects by the McMinnville School District. From fiscal years 2008-09 through 2014-15, transportation system development charges decreased due to a significant drop in construction activity with a slight improvement in fiscal years 2010-11, 2014-15, and 2015-16.

(d) From fiscal years 2007-08 through 2014-15, developer donations decreased due to a significant drop in construction activity with some improvement in 2014-15 and 2015-16.

(e) Prior to fiscal year 2008-09, Building was a governmental activity, included in Community Development. Beginning fiscal year 2008-09, Building became a business-type activity.

(f) As of fiscal year 2008-09, the City elected to not display the indirect expense allocation due to a change in fund structure.

(g) Beginning in fiscal year 2008-09 and continuing through fiscal year 2015-16, interest revenue decreased due to significantly lower interest rates.



City of McMinnville, Oregon
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	June 30,				
	2007	2008	2009	2010	2011
General Fund:					
Reserved (a)	\$ 580,991	\$ 786,210	\$ 97,022	n/a	n/a
Unreserved (c)	3,955,141	3,705,238	7,261,955	n/a	n/a
Nonspendable (e)	n/a	n/a	n/a	\$ 111,314	\$ 126,335
Restricted	n/a	n/a	n/a	-	-
Assigned (e)	n/a	n/a	n/a	300,000	801,368
Unassigned (e)	n/a	n/a	n/a	5,987,227	6,403,635
Total General Fund	<u>\$ 4,536,132</u>	<u>\$ 4,491,448</u>	<u>\$ 7,358,977</u>	<u>\$ 6,398,541</u>	<u>\$ 7,331,338</u>
Airport Maintenance Fund:					
Reserved	\$ -	\$ 319	\$ -	n/a	n/a
Unreserved (c)	672,908	799,480	567,087	n/a	n/a
Nonspendable	n/a	n/a	n/a	\$ -	\$ -
Restricted	n/a	n/a	n/a	170,883	-
Committed (e)	n/a	n/a	n/a	500,373	564,391
Total Airport Maintenance Fund	<u>\$ 672,908</u>	<u>\$ 799,799</u>	<u>\$ 567,087</u>	<u>\$ 671,256</u>	<u>\$ 564,391</u>
Improvements Fund: (b)					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,570,206	1,174,359	-	-	-
Total Improvements Fund	<u>\$ 1,570,206</u>	<u>\$ 1,174,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fire Fund: (b)					
Unreserved	\$ 1,602,173	\$ 2,038,274	\$ -	\$ -	\$ -
Total Fire Fund	<u>\$ 1,602,173</u>	<u>\$ 2,038,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Parks & Recreation Fund: (b)					
Unreserved	\$ 1,637,836	\$ 1,583,721	\$ -	\$ -	\$ -
Total Parks & Recreation Fund	<u>\$ 1,637,836</u>	<u>\$ 1,583,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Transportation Fund: (d)					
Reserved	\$ 1,086,356	\$ 1,697,319	\$ 1,532,374	n/a	n/a
Unreserved, reported in (c):					
Capital projects funds	264,444	278,907	241,021	n/a	n/a
Restricted (e)	n/a	n/a	n/a	\$ 1,400,796	\$ 1,393,538
Assigned	n/a	n/a	n/a	-	-
Unassigned	n/a	n/a	n/a	-	(41,474)
Total Transportation Fund	<u>\$ 1,350,800</u>	<u>\$ 1,976,226</u>	<u>\$ 1,773,395</u>	<u>\$ 1,400,796</u>	<u>\$ 1,352,064</u>
All other governmental funds: (c) (e)					
Reserved	\$ 19,305,859	\$ 9,914,999	\$ 6,469,626	n/a	n/a
Unreserved, reported in:					
Special revenue funds	486,579	472,592	474,482	n/a	n/a
Capital projects funds	-	-	36,265	n/a	n/a
Nonspendable	n/a	n/a	n/a	\$ -	\$ 5
Restricted	n/a	n/a	n/a	3,737,104	3,121,369
Committed	n/a	n/a	n/a	35,000	-
Assigned	n/a	n/a	n/a	1,110,785	1,122,826
Unassigned	n/a	n/a	n/a	-	-
Total all other governmental funds	<u>\$ 19,792,438</u>	<u>\$ 10,387,591</u>	<u>\$ 6,980,373</u>	<u>\$ 4,882,889</u>	<u>\$ 4,244,200</u>

	2012	2013	2014	2015	2016
	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a
\$	43,590	\$ 21,603	\$ 22,722	\$ 22,056	\$ 68,332
	-	-	1,351,766	94,897	-
	968,301	1,162,639	557,316	593,735	647,141
	6,465,935	7,117,669	8,053,592	7,575,581	6,768,660
\$	<u>7,477,826</u>	<u>\$ 8,301,911</u>	<u>\$ 9,985,396</u>	<u>\$ 8,286,269</u>	<u>\$ 7,484,133</u>

	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a
\$	5,788	\$ -	\$ -	\$ 247	\$ -
	-	-	-	-	-
	663,499	679,749	726,852	824,777	868,723
\$	<u>669,287</u>	<u>\$ 679,749</u>	<u>\$ 726,852</u>	<u>\$ 825,024</u>	<u>\$ 868,723</u>

\$	-	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-
\$	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\$	-	\$ -	\$ -	\$ -	\$ -
\$	-	\$ -	\$ -	\$ -	\$ -
\$	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

\$	-	\$ -	\$ -	\$ -	\$ -
\$	-	\$ -	\$ -	\$ -	\$ -
\$	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a
\$	1,351,185	\$ 1,750,620	\$ 1,900,683	\$ 20,298,178	\$ 17,445,877
	124,636	-	-	-	-
	-	-	-	-	-
\$	<u>1,475,821</u>	<u>\$ 1,750,620</u>	<u>\$ 1,900,683</u>	<u>\$ 20,298,178</u>	<u>\$ 17,445,877</u>

	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a
	n/a	n/a	n/a	n/a	n/a
\$	49	\$ 45	\$ 4	\$ 7,920	\$ 4
	3,289,500	3,343,808	3,771,285	4,106,209	5,395,914
	-	-	262,238	109,721	117,120
	1,101,847	1,158,861	814,162	831,013	156,556
	-	-	-	-	(188,784)
\$	<u>4,391,396</u>	<u>\$ 4,502,714</u>	<u>\$ 4,847,689</u>	<u>\$ 5,054,863</u>	<u>\$ 5,480,810</u>

(Continued)

City of McMinnville, Oregon
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

(a) Since July 1, 2000, Oregon statute requires the accumulation of building fees over direct and indirect Building costs be reserved for exclusive use by Building. Beginning fiscal year 2008-09, Building moved out of the General Fund into a new enterprise fund, the Building Fund.

(b) As of fiscal year 2008-09, the Improvements, Fire, and Parks & Recreation Funds moved into the General Fund.

(c) As of fiscal year 2010-11, the City implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Fiscal year 2009-10 Fund balances are restated here for comparison.

(d) In fiscal year 2014-15 and 2015-16, the Debt Service Fund was included with All Other Governmental Funds and the Transportation Fund was a major fund.

(e) In fiscal year 2013-14, the beginning fund balance was restated to reflect a prior period adjustment. Fiscal year 2012-13 Fund balances are restated here for comparison.



City of McMinnville, Oregon
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues:				
Property taxes	\$ 9,741,059	\$ 10,221,234	\$ 10,876,161	\$ 11,280,695
Special assessments	53,209	55,997	55,139	49,479
Licenses and permits (i)	3,259,273	3,338,571	2,252,979	2,297,980
Intergovernmental (j) (l)	3,491,568	3,383,652	5,760,900	3,783,213
Charges for services	2,160,123	2,470,408	2,319,771	2,370,147
Fines and forfeitures	801,939	909,071	862,073	858,474
Miscellaneous (b) (d)	<u>2,771,566</u>	<u>1,487,483</u>	<u>557,474</u>	<u>299,817</u>
Total revenues	<u>22,278,737</u>	<u>21,866,416</u>	<u>22,684,497</u>	<u>20,939,805</u>
Expenditures:				
Current:				
General government (k)	4,147,566	2,163,364	1,943,082	1,853,247
Community development (e) (i)	-	1,720,377	1,254,944	1,248,671
Public safety	7,605,719	7,695,976	9,072,067	9,291,156
Highways and streets	1,200,855	1,171,346	1,460,403	1,398,891
Culture and recreation (a) (l)	4,057,945	4,207,624	4,678,701	5,352,686
Airport (j)	175,110	337,342	3,004,101	161,128
Capital outlay:				
General government (g)	-	218,256	3,231,395	211,037
Public safety (h)	685,091	9,444,023	159,798	79,561
Highways and streets	432,815	170,828	391,442	232,857
Culture and recreation (c)	40,410	917,603	446,908	2,280,916
Debt service:				
Principal (f)	1,693,888	906,976	1,073,748	907,046
Interest (f)	443,925	1,045,195	887,418	840,332
Bond refunding (m) (o)	-	-	-	-
Total expenditures	<u>20,483,324</u>	<u>29,998,910</u>	<u>27,604,007</u>	<u>23,857,528</u>
Other financing sources (uses):				
Bond proceeds - par/premium (f) (o)	13,315,502	-	-	-
Refunding bonds issued - par/premium (m) (o)	-	-	-	-
Payment to refunded bond escrow agent (o)	-	-	-	-
Proceeds from full faith and credit obligation (n)	-	-	-	-
Transfers from other funds (k)	3,248,827	3,012,242	5,922,648	987,133
Police vehicles - lease purchase	28,177	-	-	-
Transfers to other funds (k)	<u>(3,561,142)</u>	<u>(3,590,823)</u>	<u>(6,774,724)</u>	<u>(1,395,760)</u>
Total other financing sources (uses)	<u>13,031,364</u>	<u>(578,581)</u>	<u>(852,076)</u>	<u>(408,627)</u>
Net change in fund balances	<u>\$ 14,826,777</u>	<u>\$ (8,711,075)</u>	<u>\$ (5,771,586)</u>	<u>\$ (3,326,350)</u>
Non-capital expenditures:				
Total expenditures	\$ 20,483,324	\$ 29,998,910	\$ 27,604,007	\$ 23,857,528
Less: capital asset expenditures	<u>(1,703,810)</u>	<u>(11,151,569)</u>	<u>(7,070,726)</u>	<u>(3,969,444)</u>
Non-capital expenditures	<u>\$ 18,779,514</u>	<u>\$ 18,847,341</u>	<u>\$ 20,533,281</u>	<u>\$ 19,888,084</u>
Debt service as a percentage of non-capital expenditures	11.4%	10.4%	9.6%	8.8%

Fiscal Year Ended June 30,

2011	2012	2013	2014	2015	2016
\$ 11,841,678	\$ 11,944,449	\$ 12,041,594	\$ 12,435,395	\$ 12,866,111	\$ 14,688,381
54,810	51,121	53,608	59,515	54,328	57,151
2,305,008	2,551,413	2,591,208	2,872,975	3,225,701	3,247,694
4,859,494	3,658,577	3,626,937	3,683,458	3,846,363	4,340,890
2,565,362	2,615,582	2,729,936	2,854,528	3,613,848	3,327,315
761,389	761,046	748,677	608,740	522,900	580,010
439,118	243,314	334,355	358,783	425,410	523,785
<u>22,826,859</u>	<u>21,825,502</u>	<u>22,126,315</u>	<u>22,873,394</u>	<u>24,554,661</u>	<u>26,765,226</u>
1,803,989	1,703,755	1,664,094	1,804,140	2,298,268	3,245,287
1,249,944	1,236,352	1,226,600	1,165,511	1,221,604	1,295,680
9,262,859	9,658,834	9,670,602	10,223,535	12,215,631	11,044,821
1,331,764	1,471,788	1,431,792	1,485,187	1,775,502	3,364,488
4,456,751	4,737,874	4,419,442	4,427,361	4,698,934	4,855,542
1,597,357	136,289	242,727	201,804	328,733	784,495
-	-	-	-	-	-
-	-	-	-	-	-
510,243	503,781	479,459	527,054	502,116	1,735,138
991,098	-	1,621	40,751	410,867	4,650
910,000	950,000	1,075,000	1,070,000	1,173,594	1,600,529
802,340	716,608	575,375	535,025	540,023	950,387
-	5,835,000	-	-	32,000	-
<u>22,916,345</u>	<u>26,950,281</u>	<u>20,786,712</u>	<u>21,480,368</u>	<u>25,197,272</u>	<u>28,881,017</u>
-	-	-	-	18,238,688	-
-	5,926,316	-	-	8,493,436	-
-	-	-	-	(8,414,899)	-
-	-	-	1,370,000	-	-
1,075,400	1,469,044	1,111,637	874,500	1,026,200	1,148,148
-	-	-	-	-	-
<u>(1,164,400)</u>	<u>(1,748,244)</u>	<u>(1,613,737)</u>	<u>(1,411,900)</u>	<u>(1,697,100)</u>	<u>(2,217,148)</u>
<u>(89,000)</u>	<u>5,647,116</u>	<u>(502,100)</u>	<u>832,600</u>	<u>17,646,325</u>	<u>(1,069,000)</u>
<u>\$ (178,486)</u>	<u>\$ 522,337</u>	<u>\$ 837,503</u>	<u>\$ 2,225,626</u>	<u>\$ 17,003,714</u>	<u>\$ (3,184,791)</u>
\$ 22,916,345	\$ 26,950,281	\$ 20,786,712	\$ 21,480,368	\$ 25,197,272	\$ 28,881,017
(2,896,576)	(929,903)	(781,819)	(790,400)	(2,609,978)	(3,554,796)
<u>\$ 20,019,769</u>	<u>\$ 26,020,378</u>	<u>\$ 20,004,893</u>	<u>\$ 20,689,968</u>	<u>\$ 22,587,294</u>	<u>\$ 25,326,221</u>

8.6%

6.4%

8.2%

7.8%

7.6%

10.1%

City of McMinnville, Oregon
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

(a) During fiscal years 2007-08, 2009-10 and 2010-11 significant park construction, improvements, and land purchases occurred funded by the proceeds of the 2001 Park Improvement Bonds and park system development charges.

(b) During fiscal years 2005-06 and 2006-07, the City received \$884,000 and \$715,000, respectively, from Virginia Garcia Memorial Health Care Center to supplement the capital grant to build the Virginia Garcia Memorial Health Care Center, a primary care clinic.

(c) During fiscal years 2005-06 and 2006-07, the City expended approximately \$1,817,000 and \$715,000, respectively, to build the Virginia Garcia Memorial Health Center, a primary care clinic.

(d) During fiscal year 2006-07, \$424,000 of interest was earned on the public safety and civic buildings bond proceeds. From fiscal year 2008-09 through 2015-16, interest revenue decreased due to significantly lower interest rates.

(e) Community development was included in general government through fiscal year 2006-07. Community development included Building through fiscal year 2007-08. As of fiscal year 2008-09, Building became an enterprise fund.

(f) During fiscal year 2006-07, the Transportation and 1997 Refunding Bonds were paid off and the City received proceeds from the Public Safety and Civic Buildings Bonds.

(g) During fiscal year 2007-08, construction began on the new Civic Hall and continued into fiscal year 2009-10.

(h) During fiscal years 2006-07 and 2007-08, the new Public Safety building was constructed.

(i) Beginning fiscal year 2008-09, Building, which was previously in the General Fund, became an enterprise fund.

(j) During fiscal year 2008-09 and 2010-11, the City improved runways and taxiways at McMinnville Municipal Airport financed by capital grants of \$2,570,000 and \$1,250,000, respectively, from the Federal Aviation Administration.

(k) During fiscal year 2008-09, the Improvements, Fire, and Parks & Recreation Funds were transferred to the General Fund. Also during fiscal year 2008-09, the City changed the method used to account for transfers, eliminating transfers for services provided and used.

(l) During fiscal year 2009-10, Culture and Recreation received intergovernmental energy efficiency incentives of \$640,000 for a project at the Aquatic Center.

(m) During fiscal year 2011-12, the 2001 Park Improvement Bonds were refunded.

(n) During fiscal year 2012-13, the city received the proceeds from a full faith and credit bank loan to purchase Fire vehicles.

(o) During fiscal year 2014-15, the 2006 Public Safety Building Bonds were refunded and the City received proceeds from a Transportation bond.



City of McMinnville, Oregon
Program Revenues by Functions/Programs
Last Ten Fiscal Years
(full accrual basis of accounting)

<u>Functions/Programs</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Primary government:				
Governmental activities:				
General government (c)	\$ 1,268,607	\$ 497,521	\$ 625,093	\$ 617,801
Community development (d)	1,046,050	1,005,640	564,006	539,378
Public safety:				
Police	1,613,682	1,648,392	1,084,767	1,008,654
Fire	290,436	287,018	280,264	386,813
Emergency communications (a)	181,058	160,995	171,242	166,906
Highways and streets (b) (e) (h) (i)	6,481,738	5,029,028	1,807,909	2,264,864
Culture and recreation:				
Parks and recreation (e)(g)	1,780,725	1,670,571	1,325,613	1,946,469
Library	162,959	161,640	173,587	199,667
Airport (f)	<u>628,842</u>	<u>459,794</u>	<u>2,760,843</u>	<u>271,032</u>
Total governmental activities	<u>13,454,097</u>	<u>10,920,599</u>	<u>8,793,324</u>	<u>7,401,584</u>
Business-type activities:				
Wastewater (e)	9,681,571	9,672,427	8,352,547	8,303,950
Ambulance	1,762,499	2,120,051	2,392,251	2,328,956
Building (d)	-	-	201,002	334,380
Total business-type activities	<u>11,444,070</u>	<u>11,792,478</u>	<u>10,945,800</u>	<u>10,967,286</u>
Total primary government	<u>\$ 24,898,167</u>	<u>\$ 22,713,077</u>	<u>\$ 19,739,124</u>	<u>\$ 18,368,870</u>
Component unit:				
Water and light	<u>\$ 42,699,716</u>	<u>\$ 43,232,496</u>	<u>\$ 35,172,734</u>	<u>\$ 36,067,874</u>

(a) During fiscal years 2005-06, the City received a proportional share of the proceeds of the Yamhill County Emergency Communication District three-year local option levy.

(b) Highways and streets capital contributions fluctuate significantly year-to-year depending on when subdivision plats are accepted and recorded and a public street is created.

Fiscal Year Ended June 30,

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 626,400	\$ 639,086	\$ 635,997	\$ 668,316	\$ 814,832	\$ 1,074,482
583,847	576,426	638,007	666,128	805,423	770,042
891,671	853,089	909,347	745,609	676,657	774,861
333,420	313,471	340,253	351,282	381,205	434,106
161,453	158,728	140,829	13,130	180,427	12,090
2,417,477	2,463,150	2,504,676	2,573,312	3,889,429	4,058,810
1,385,067	1,349,716	1,420,302	1,522,760	1,767,924	1,710,213
196,990	203,170	209,286	203,039	206,989	204,017
<u>1,487,222</u>	<u>237,082</u>	<u>239,436</u>	<u>244,969</u>	<u>423,380</u>	<u>824,717</u>
<u>8,083,547</u>	<u>6,793,918</u>	<u>7,038,133</u>	<u>6,988,545</u>	<u>9,146,266</u>	<u>9,863,338</u>
8,292,062	8,478,806	8,660,788	9,113,527	10,288,656	9,816,625
2,275,122	2,740,006	2,847,104	2,646,881	2,911,689	3,373,134
295,934	297,204	290,537	390,852	561,441	393,079
<u>10,863,118</u>	<u>11,516,016</u>	<u>11,798,429</u>	<u>12,151,260</u>	<u>13,761,786</u>	<u>13,582,838</u>
<u>\$ 18,946,665</u>	<u>\$ 18,309,934</u>	<u>\$ 18,836,562</u>	<u>\$ 19,139,805</u>	<u>\$ 22,908,052</u>	<u>\$ 23,446,176</u>
<u>\$ 37,056,031</u>	<u>\$ 41,765,091</u>	<u>\$ 43,505,161</u>	<u>\$ 45,571,816</u>	<u>\$ 46,505,371</u>	<u>\$ 45,275,019</u>

(Continued)

City of McMinnville, Oregon
Program Revenues by Functions/Programs
Last Ten Fiscal Years
(full accrual basis of accounting)

(c) During fiscal years 2005-06 and 2006-07, the City received capital grants and contributions totaling approximately \$1,817,000 and \$715,000, respectively, to build the

(d) Prior to fiscal year 2008-09, Building was a governmental activity, included in Community Development. Beginning fiscal year 2008-09, Building became a business-type activity.

(e) System development charges and subdivision capital contributions were significantly less beginning in fiscal year due to a sharp down-turn in the construction industry.

(f) During fiscal year 2008-09 and 2010-11, the City improved runways and taxiways at McMinnville Municipal Airport financed by \$2,570,000 and \$1,250,000, respectively, in capital grants from the Federal Aviation Administration.

(g) During fiscal year 2009-10, Culture and Recreation received intergovernmental energy efficiency incentives of \$640,000 for a project at the Aquatic Center.

(h) During fiscal year 2010-11, the Oregon state gas tax rate increased.

(i) Highways and streets Oregon federal exchange funds fluctuate significantly from year-to-year depending on the federal funds available and the timing of the reimbursement.



City of McMinnville, Oregon
Assessed and Estimated Actual Value of Property
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property			Mobile Home Property		
	Maximum Assessed Value	Veteran's Exemptions	Net	Maximum Assessed Value	Veteran's Exemptions	Net
2007	1,551,355,163	4,318,800	1,547,036,363	32,926,265	1,046,687	31,879,578
2008	1,666,211,130	4,392,744	1,661,818,386	34,181,353	1,067,482	33,113,871
2009	1,793,465,695	4,796,418	1,788,669,277	36,203,485	1,096,031	35,107,454
2010	1,866,248,886	5,327,078	1,860,921,808	39,153,409	1,255,289	37,898,120
2011	1,938,691,631	5,050,009	1,933,641,622	40,372,768	1,286,344	39,086,424
2012	1,981,655,597	5,018,459	1,976,637,138	33,334,829	1,272,526	32,062,303
2013	2,050,340,335	5,380,560	2,044,959,775	34,743,081	1,228,355	33,514,726
2014	2,084,562,884	4,959,055	2,079,603,829	35,236,986	1,211,444	34,025,542
2015	2,157,707,874	5,050,892	2,152,656,982	30,584,711	1,195,071	29,389,640
2016	2,302,471,713	5,366,804	2,297,104,909	34,626,648	1,160,696	33,465,952

Source: Yamhill County Assessor's Office

Note: Prior to 1998 maximum assessed value equaled estimated real market value. Effective fiscal year 1997-98, with the implementation of Oregon Ballot Measure 50, maximum assessed value was reduced to 1995 estimated real market value less ten percent. Future increases are limited to three percent plus exceptions, which include, but are not limited to, new property and new improvements to property.

(a) During fiscal year 2009-10, Oregon Department of Revenue revalued Comcast Corporation's assessed value due to expansion of services provided. During fiscal year 2012-13, Cascade Steel Rolling Mills, Inc appealed the State Department of Revenue's valuation of its' McMinnville mill. The state agreed to lower the assessed value of the property by approximately \$10 million.

(b) Excludes tax-exempt property.

Personal Property	Utilities	Total		Total Maximum Assessed Value as a Percentage of Estimated Real Market Value	Total Direct Tax Rate
Maximum Assessed Value	Maximum Assessed Value (a)	Maximum Assessed Value (b)	Estimated Real Market Value		
69,685,330	27,305,600	1,675,906,871	2,822,850,527	59.4 %	5.93
73,791,823	30,116,840	1,798,840,920	3,117,670,189	57.7	5.87
84,195,411	30,751,714	1,938,723,856	3,281,260,714	59.1	5.85
85,379,738	50,416,314	2,034,615,980	3,267,741,423	62.3	5.84
83,890,083	50,239,949	2,106,858,078	3,193,379,293	66.0	5.74
80,942,534	50,636,473	2,140,278,448	2,806,089,205	76.3	5.70
80,238,487	40,432,100	2,199,145,088	2,767,634,640	79.5	5.65
78,234,266	41,303,400	2,233,167,037	2,748,715,501	81.2	5.72
82,315,868	40,151,340	2,304,513,830	2,861,726,286	80.5	5.74
80,930,768	38,880,800	2,450,382,429	3,119,905,725	78.5	6.23

City of McMinnville, Oregon
Property Tax Rates of Direct and Overlapping Governments
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal Year Ended June 30,	Direct Rate						
	City of McMinnville				Yamhill County		
	Operating (a)	Debt Service	Urban Renewal	Total Direct	Operating	Debt Service	Total
2007	5.02	0.91	-	5.93	2.57	-	2.57
2008	5.02	0.85	-	5.87	2.57	-	2.57
2009	5.02	0.83	-	5.85	2.57	-	2.57
2010	5.02	0.82	-	5.84	2.57	-	2.57
2011	5.02	0.72	-	5.74	2.57	-	2.57
2012	5.02	0.68	-	5.70	2.57	-	2.57
2013	5.02	0.63	-	5.65	2.57	-	2.57
2014	5.02	0.70	-	5.72	2.57	-	2.57
2015	5.02	0.68	0.04	5.74	2.57	-	2.57
2016	5.02	1.16	0.05	6.23	2.58	-	2.58

Source: Yamhill County Assessor's Office

Note: Beginning fiscal year 1997-98, property tax rates are limited by an amendment to Oregon's constitution referred to as the permanent rate limit. Districts can levy a property tax rate every year that is less than or equal to this limit without additional voter approval. Voters can approve bond levies and local option levies in addition to the permanent rate levy.

(a) The City's permanent property tax rate limit established by Measure 50 is \$5.02 per thousand of assessed

(b) Yamhill County Extension Service, Yamhill County Soil & Water District, Willamette Regional Educational Service District, Chemeketa Library and Chemeketa Community College.

Overlapping Rates						Total Direct and Overlapping Rates
McMinnville School District No. 40			Other Taxing Districts (b)			
Operating	Debt Service	Total	Operating & Local Option	Debt Service	Total	
4.15	1.38	5.53	1.08	0.32	1.40	15.43
4.15	2.85	7.00	1.08	0.07	1.16	16.59
4.15	2.76	6.91	1.09	0.08	1.17	16.50
4.15	2.79	6.94	1.18	0.18	1.36	16.71
4.15	2.77	6.92	1.09	0.17	1.26	16.49
4.15	2.83	6.98	1.08	0.25	1.34	16.59
4.15	2.83	6.98	1.08	0.27	1.36	16.55
4.15	2.72	6.87	1.08	0.23	1.32	16.48
4.15	2.79	6.94	1.08	0.27	1.35	16.61
4.15	2.72	6.87	1.08	0.28	1.36	17.04

City of McMinnville, Oregon
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	Type of Business	Fiscal Year Ended June 30, 2016		
		Assessed Value	Percentage	Rank
Cascade Steel Rolling Mills, Inc.	Sttel production	\$ 58,462,356	2.39 %	1
Willamette Valley Medical Center, LLC	Health care	53,692,866	2.19	2
The Falls at McMinnville LLC	Developer/event center	21,445,836	0.88	3
HCP SH ELP1 Properties LLC (a)	Retirement community	18,810,103	0.77	4
Lowes Home Improvement Warehouse, Inc.	Home improvement retail store	17,129,164	0.70	5
Comcast Corporation	Cable television	16,989,800	0.69	6
Reef McMinnville Plaza LLC (c)	Commercial real estate management	12,205,384	0.50	7
Betty Lou's, Inc.	Food manufacturer	10,570,653	0.43	8
Lassen Doran Properties	Auto sales	9,552,772	0.39	9
Frontier Communications	Telephone communication	9,191,000	0.38	10
Air Liquide Industrial U S, LP	Liquid oxygen, nitrogen, argon	-	-	-
Hillside Senior Living Community LLC (a)	Retirement community	-	-	-
Verizon, Inc. (b)	Telephone communication	-	-	-
Skyline Corporation	Mobile home and RV manufacturing	-	-	-
NBS-McMinnville Plaza	Commercial real estate management	-	-	-
Northwest Natural Gas Co.	Natural gas distributor	-	-	-
Leslie A. Toth, Inc.	Mobile home parks	-	-	-
Total principal property tax payers		228,049,934	9.32	
All other property tax payers		2,222,332,495	90.69	
Total		<u>\$ 2,450,382,429</u>	<u>100.01 %</u>	

Source: Yamhill County Assessor's Office

(a), (b), (c) Several principal property tax payers have either changed business names or been acquired by another company, although the property and facilities are the same.

Fiscal Year Ended June 30, 2007

	<u>Assessed</u> <u>Value</u>	<u>Percentage</u>	<u>Rank</u>
\$	43,570,147	2.78 %	1
	36,521,876	2.33	2
	-	-	-
	-	-	-
	12,757,008	0.81	5
	12,385,444	0.79	-
	-	-	-
	-	-	-
	-	-	-
	11,414,506	0.73	6
	15,031,406	0.96	4
	15,739,100	1.00	3
	8,802,495	0.56	7
	8,788,840	0.56	8
	8,188,500	0.52	9
	<u>6,175,347</u>	<u>0.39</u>	<u>10</u>
	179,374,669	11.43	
	<u>1,390,699,352</u>	<u>88.58</u>	
\$	<u>1,570,074,021</u>	<u>100.01</u> %	

City of McMinnville, Oregon
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Levy			Collected within the Fiscal Year of the Levy	
	Original	Adjustments (a)	Total Adjusted	Amount	Percentage of Original Levy
2007	\$ 9,978,850	\$ (384,456)	\$ 9,594,395	\$ 9,258,334	92.8 %
2008	10,588,854	(232,361)	10,356,493	9,889,138	93.4
2009	11,343,510	(260,082)	11,083,428	10,482,923	92.4
2010	11,873,607	(252,447)	11,621,160	10,896,434	91.8
2011	12,105,863	(301,340)	11,804,523	11,193,766	92.5
2012	12,215,194	(319,177)	11,896,017	11,323,050	92.7
2013	12,457,781	(361,195)	12,096,586	11,507,271	92.4
2014	12,783,321	(338,882)	12,444,439	11,893,500	93.0
2015	13,220,677	(357,861)	12,862,816	12,320,010	93.2
2016	15,205,508	(499,925)	14,705,583	14,162,369	93.1

Source: Yamhill County Assessor's Office

(a) Adjustments include discounts, write-offs, cancellations, and interest.

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Adjusted Levy
\$ 335,493	\$ 9,593,827	99.99 %
464,451	10,353,589	99.97
592,340	11,075,263	99.93
676,479	11,572,913	99.58
575,683	11,769,449	99.70
538,782	11,861,832	99.71
480,694	11,987,965	99.10
357,966	12,251,466	98.45
267,482	12,587,492	97.86
-	14,162,369	96.31

City of McMinnville, Oregon
Sewer Revenue Base by Type of Customer
Last Ten Fiscal Years
(in cubic feet)

<u>Customer Type</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Water consumption (e):			
Residential	77,388,017	77,053,217	77,035,569
Commercial - no average (b)	64,372,500	67,676,406	57,137,000
Commercial - with average (c)	<u>10,909,218</u>	<u>10,798,667</u>	<u>10,111,714</u>
 Total	 <u>152,669,735</u>	 <u>155,528,290</u>	 <u>144,284,283</u>
 Residential sewer rates: (a)			
Service charge per residential unit	\$ 16.59	\$ 17.05	\$ 17.05
Volume charge per 100 cubic feet of water used (d)	4.35	4.47	4.47
Commercial and industrial sewer rates:			
Service charge per account	16.59	17.05	17.05
Volume charge per 100 cubic feet of water used	5.31	5.46	5.46

Source: McMinnville Water & Light Department and City of McMinnville Engineering Department

(a) Sewer rates are applied to water consumption amounts to derive sewer revenue.

(b) Commercial sewer customers that do not have irrigation systems are billed according to actual water usage for all months.

(c) Commercial sewer customers that have irrigation systems are billed according to actual water usage during the winter months (December - March) and are billed on the previous winter's monthly average water consumption or actual water usage, whichever is less, during the remaining months (April - November).

(d) Residential sewer customers are billed according to actual water usage during the winter months (December - March). The remaining months (April - November) sewer charges are based on the previous winter's monthly average water consumption or actual water usage, whichever is less.

(e) Water consumption continues to decrease due to various factors including conservation measures and rate increases.

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
76,504,331	74,859,499	75,685,450	75,773,900	75,498,100	75,212,200	75,670,000
50,828,300	53,747,000	50,717,903	56,242,500	53,151,400	51,733,900	53,543,500
<u>9,585,906</u>	<u>9,363,800</u>	<u>8,999,000</u>	<u>7,882,400</u>	<u>5,879,700</u>	<u>5,727,300</u>	<u>5,824,500</u>
<u>136,918,537</u>	<u>137,970,299</u>	<u>135,402,353</u>	<u>139,898,800</u>	<u>134,529,200</u>	<u>132,673,400</u>	<u>135,038,000</u>

\$	17.05	\$	17.05	\$	17.05	\$	17.05	\$	17.25	\$	17.73	\$	18.60
	4.47		4.47		4.59		4.77		4.94		5.08		5.22
	17.05		17.05		17.05		17.05		17.25		17.73		18.60
	5.46		5.46		5.62		5.89		6.13		6.30		6.48

City of McMinnville, Oregon
Sewer Rates
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Residential		Commercial & Industrial		Total Sewer and Septage Charges	Annual Growth
	Monthly Base Rate	Rate per Additional 100 cubic feet	Monthly Base Rate	Rate per Additional 100 cubic feet		
2007	\$ 16.59	\$ 4.35	\$ 16.59	\$ 5.31	\$ 7,613,506	%
2008	17.05	4.47	17.05	5.46	7,759,450	1.92
2009	17.05	4.47	17.05	5.46	7,919,502	2.06
2010	17.05	4.47	17.05	5.46	7,848,888	(0.89)
2011	17.05	4.47	17.05	5.46	7,940,854	1.17
2012	17.05	4.59	17.05	5.62	7,993,971	0.67
2013	17.05	4.77	17.05	5.89	8,233,885	3.00
2014	17.25	4.94	17.25	6.13	8,601,036	4.46
2015	17.73	5.08	17.73	6.30	9,166,951	6.58
2016	18.60	5.22	18.60	6.48	9,166,543	(0.00)

Source: City of McMinnville Engineering Department

Note: Sewer rates are set by City Council taking into consideration the City's *Sewer Master Plan* which provides recommendations for future operational and capital needs. In 2010, City Council adopted the updated Wastewater System Financial Plan which recommended moderate annual rate increases beginning in fiscal year 2011-12.

City of McMinnville, Oregon
Number of Sewer Connections by Customer Type
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Residential	General Service & Commercial	Total
2007	11,520	1,500	13,020
2008	11,582	1,532	13,114
2009	11,630	1,545	13,175
2010	11,319	1,199	12,518
2011	11,768	1,246	13,014
2012	11,664	1,170	12,834
2013	11,784	1,164	12,948
2014	12,042	1,097	13,139
2015	12,280	1,157	13,437
2016	12,121	1,083	13,204

Source: McMinnville Water & Light Department

City of McMinnville, Oregon
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30,	General Obligation Bonds	Less Amount Available in Debt Service Fund (a)	Net General Obligation Bonded Debt	Percentage of Estimated Real Market Value (b)	Per Capita (c)	Other Full Faith & Credit Bank Loan
2007	\$ 21,199,393	\$ 375,000	\$ 20,824,393	0.74	\$ 658	\$ -
2008	20,504,617	655,000	19,849,617	0.64	613	-
2009	19,659,842	850,000	18,809,842	0.57	574	-
2010	18,780,067	910,000	17,870,067	0.55	554	-
2011	17,860,292	950,000	16,910,292	0.53	524	-
2012	16,966,610	1,075,000	15,891,610	0.57	490	-
2013	15,848,203	1,070,000	14,778,203	0.53	455	-
2014	14,734,796	1,105,000	13,629,796	0.50	417	1,370,000
2015	32,140,210	1,525,000	30,615,210	1.07	925	1,766,096
2016	30,333,129	1,850,000	28,483,129	0.91	853	3,221,241

Note: Details regarding the City's outstanding debt can be found in the notes to the basic financial statements (Note III. G).

(a) Amount of fund balance restricted for principal payments.

(b) See Schedule of Assessed and Estimated Actual Value of Property for estimated real market value data.

(c) See Schedule of Demographic and Economic Statistics for population data.

(d) Includes general bonded debt, other governmental activities debt, and business-type activities debt. In fiscal year 2014-15, the total primary government debt was restated from net to gross.

(e) See Schedule of Demographic and Economic Statistics for personal income data.

n/a - not available

<u>Governmental Activities Debt</u>			<u>Business-Type Activities</u>		<u>Total Primary Government (d)</u>	<u>Percentage of Personal Income (e)</u>	<u>Per Capita (c)</u>
<u>Certificates of Participation</u>	<u>Notes Payable</u>	<u>Capital Leases</u>	<u>Revenue Bonds</u>	<u>Notes Payable</u>			
\$ 395,000	\$ 79,627	\$ 21,717	\$ 18,290,462	\$ 1,273,181	\$ 41,259,380	4.04 %	1,303
205,000	54,397	14,970	16,010,675	870,725	37,660,384	3.55	1,162
-	27,877	7,743	13,620,889	444,727	33,761,078	3.13	1,031
-	-	-	11,116,102	-	29,896,169	2.83	927
-	-	-	8,486,315	-	26,346,607	2.40	816
-	-	-	5,731,528	-	22,698,138	1.98	700
-	-	-	2,891,742	-	18,739,945	1.62	576
-	-	-	-	-	16,104,796	1.35	492
-	-	-	-	-	33,906,306	n/a	1,025
-	-	-	-	-	33,554,370	n/a	1,004



City of McMinnville, Oregon
Direct and Overlapping Governmental Activities Debt
June 30, 2015

Governmental Unit	Outstanding Debt	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
Direct:			
General obligation bonded debt - City	\$ 30,333,129	100.00 %	\$ 30,333,129
Other governmental activities debt - City	3,221,241	100.00 %	<u>3,221,241</u>
Total direct debt			<u>33,554,370</u>
Overlapping:			
General obligation bonded debt:			
Chemeketa Community College	82,315,000	7.17	5,901,986
McMinnville School District No. 40	43,170,000	77.45	33,435,165
Other governmental activities debt:			
Chemeketa Community College	45,185,076	7.17	3,239,770
Willamette Education Service District	24,562,231	6.52	1,601,457
Yamhill County	3,081,176	28.89	890,152
McMinnville School District No. 40	25,482,367	77.45	<u>19,736,093</u>
Total overlapping debt			<u>64,804,623</u>
Total direct and overlapping debt			<u>\$ 98,358,993</u>

Source: Oregon State Treasury Debt Management Division

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(a) The percentage of overlapping debt applicable is estimated using estimated real market values. Applicable percentages were estimated by determining the portion of another governmental unit's estimated real market value within the City's boundaries and dividing it by each governmental unit's total estimated real market value.

City of McMinnville, Oregon
Legal Debt Margin Calculation
Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total estimated real market value	\$ 2,822,850,527	\$ 3,117,670,189	\$ 3,281,260,714	\$ 3,267,741,423
Debt limitation:				
3% of estimated real market value	84,685,516	93,530,106	98,437,821	98,032,243
Debt applicable to limitation:				
Total general obligation bonded debt	21,010,000	20,325,000	19,490,000	18,620,000
Less amount available for payment of general obligation principal	<u>(375,000)</u>	<u>(655,000)</u>	<u>(850,000)</u>	<u>(910,000)</u>
Net debt applicable to limitation	<u>20,635,000</u>	<u>19,670,000</u>	<u>18,640,000</u>	<u>17,710,000</u>
Total remaining debt limit	<u>\$ 64,050,516</u>	<u>\$ 73,860,106</u>	<u>\$ 79,797,821</u>	<u>\$ 80,322,243</u>
Total net debt applicable to limitation as a percentage of debt limit	24.37%	21.03%	18.94%	18.07%

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 3,193,379,293	\$ 2,806,089,205	\$ 2,767,634,640	\$ 2,748,715,501	\$ 2,861,726,286	\$ 3,119,905,725
95,801,379	84,182,676	83,029,039	82,461,465	85,851,789	93,597,172
17,710,000	16,515,000	15,440,000	14,370,000	28,580,000	27,055,000
<u>(950,000)</u>	<u>(1,075,000)</u>	<u>(1,070,000)</u>	<u>(1,105,000)</u>	<u>(1,525,000)</u>	<u>(2,290,000)</u>
<u>16,760,000</u>	<u>15,440,000</u>	<u>14,370,000</u>	<u>13,265,000</u>	<u>27,055,000</u>	<u>24,765,000</u>
<u>\$ 79,041,379</u>	<u>\$ 68,742,676</u>	<u>\$ 68,659,039</u>	<u>\$ 69,196,465</u>	<u>\$ 58,796,789</u>	<u>\$ 68,832,172</u>
17.49%	18.34%	17.31%	16.09%	31.51%	26.46%

City of McMinnville, Oregon
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Population	Personal Income (a)	Per Capita Personal Income (b)	School Enrollment	Unemployment Rate (c)
2007	31,665	\$ 1,022,462,850	\$ 32,290	6,167	4.8 %
2008	32,400	1,059,480,000	32,700	6,200	5.3
2009	32,760	1,077,607,440	32,894	6,650	11.5
2010	32,240	1,056,440,320	32,768	6,411	10.0
2011	32,270	1,096,534,600	33,980	6,490	8.8
2012	32,435	1,147,744,910	35,386	6,464	8.5
2013	32,510	1,159,859,270	35,677	6,606	8.1
2014	32,705	1,193,340,040	36,488	6,620	6.6
2015	33,080	n/a	n/a	6,729	5.4
2016	33,405	n/a	n/a	6,643	5.1

Sources: Population information is provided by Portland State University certified yearly estimates. The current fiscal year population is based on the preliminary Oregon population estimate. Per capita personal income is provided by Office of Economic Analysis. School enrollment is provided by McMinnville School District No. 40, adjusted from the preliminary estimate in the current year to official count in the following year. School enrollment from 2010 was adjusted to the official count in fiscal year 2014-15.

(a) Personal income is calculated using population and per capita personal income figures.

(b) Per capita personal income figures are for Yamhill County in total, not just the City of McMinnville.

(c) 2015 and 2016 rates from Bureau of Labor Statistics; prior years from Oregon Employment Department.

n/a - not available



City of McMinnville, Oregon
Principal Employers
Current Year and Nine Years Ago

Employer	Type of Business	Fiscal Year Ended June 30, 2016		
		Number of Employees	Percentage	Rank
McMinnville School District #40	Education	740	4.69 %	1
Willamette Valley Medical Center, LLC	Health care	496	3.15	2
Cascade Steel Rolling Mills, Inc.	Steel production	395	2.50	3
Yamhill County	County government	480	3.04	4
Linfield College	Higher education - liberal arts	413	2.62	5
Express Professionals	Temp agency	300	1.90	6
Meggitt Polymer	Sealing solutions manufacturing	315	2.00	7
Betty Lou's Inc	Snack manufacturer	233	1.48	8
City of McMinnville	City government	203	1.29	9
Oregon Mutual Insurance Company	Insurance products and services	190	1.20	10
Wal-Mart Stores, Inc.	Retail merchandise	119	0.75	
Skyline Corporation (Homette and Nomad)	Mobile home and RV manufacturing	-	-	
Evergreen Enterprises, Inc.	Air freight, helicopters, agriculture	-	-	
Total principal employers		3,884	24.63	
All other employers (estimated)		<u>11,886</u>	<u>75.37</u>	
Total		<u>15,770</u>	<u>100.00</u> %	

Sources: McMinnville Economic Development Partnership. Total employees is provided by Worksource Oregon Employment Department.

Fiscal Year Ended June 30, 2007

<u>Number of</u> <u>Employees</u>	<u>Percentage</u>	<u>Rank</u>
700	4.36 %	1
570	3.55	2
518	3.23	3
417	2.60	5
300	1.87	6
-	-	-
-	-	-
-	-	-
195	1.22	9
180	1.12	10
269	1.68	7
220	1.37	8
<u>480</u>	<u>2.99</u>	4
3,849	23.99	
<u>12,193</u>	<u>76.01</u>	
<u>16,042</u>	<u>100.00</u> %	



City of McMinnville, Oregon
Construction Activity
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Commercial and Industrial (a)		Residential (b)	
	Number of Permits	Value	Number of Permits	Value
2007	147	\$ 65,033,583	406	\$ 48,635,973
2008	151	100,554,562	273	34,586,033
2009	153	10,832,643	140	12,649,511
2010	134	42,913,099	144	9,466,331
2011	125	29,802,629	128	11,586,050
2012	113	29,242,652	101	11,698,859
2013	112	12,025,990	116	12,698,093
2014	141	12,233,453	173	21,608,492
2015	169	27,786,301	189	30,794,301
2016	124	8,342,488	197	29,861,929

Source: City of McMinnville Building Division

(a) Commercial, industrial, schools, churches, and public buildings, including additions and major repairs.

(b) Single family, duplex and multiple family units, and manufactured homes, including additions and major repairs.

City of McMinnville, Oregon
Full-Time Equivalent Employees by Function/Program
Last Ten Fiscal Years

<u>Functions/Programs</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Primary government:						
Governmental activities:						
General government	13.20	19.84	15.48	15.32	14.84	14.49
Community development (a)	16.90	17.12	11.20	11.35	11.35	10.35
Public safety:						
Police:						
Sworn	35.00	35.00	36.00	35.00	34.00	35.00
Non-sworn	14.41	14.84	14.92	14.92	13.45	13.57
Fire (b) (c)	10.38	11.00	16.75	16.99	16.40	14.95
Highways and streets	9.60	9.69	9.15	8.84	8.83	8.90
Culture and recreation:						
Parks and recreation:						
Full-time	14.00	14.00	15.00	15.00	15.00	15.00
Part-time	25.21	23.60	27.89	29.61	29.26	29.18
Library	16.42	16.51	17.93	17.93	17.31	17.01
Total governmental activities	<u>155.12</u>	<u>161.60</u>	<u>164.32</u>	<u>164.96</u>	<u>160.44</u>	<u>158.45</u>
Business-type activities:						
Wastewater	18.76	18.91	19.04	19.22	19.46	20.46
Ambulance (b) (c)	21.07	21.16	16.04	15.72	16.32	20.72
Building (a)	-	-	5.90	3.75	3.65	3.65
Total business-type activities	<u>39.83</u>	<u>40.07</u>	<u>40.98</u>	<u>38.69</u>	<u>39.43</u>	<u>44.83</u>
Total primary government	<u>194.95</u>	<u>201.67</u>	<u>205.30</u>	<u>203.65</u>	<u>199.87</u>	<u>203.28</u>

Source: City of McMinnville Adopted Budgets

(a) Prior to fiscal year 2008-09, the Building division was included in community development, a governmental activity. Beginning fiscal year 2008-09, the Building division is a business-type activity.

(b) Fire and ambulance FTEs are a single group of employees whose time is allocated between the two functions. Prior to fiscal year 2008-09, fire and ambulance FTEs were associated with one function or the other and the costs were allocated via transfers. Beginning fiscal year 2008-09, FTEs are allocated between the two functions directly resulting in no transfers of costs.

(c) In fiscal year 2011-12, the allocation of certain fire and ambulance positions was changed to more closely align personnel costs with actual hours worked in each function, resulting in a decrease in fire FTE and an increase in ambulance FTE.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
13.38	13.31	13.71	14.11
9.60	9.39	9.83	10.54
34.00	37.00	37.00	37.00
14.77	11.18	13.39	12.73
14.03	14.48	14.47	14.75
8.90	8.66	8.68	8.71
14.00	14.00	14.00	17.00
28.67	27.94	29.94	27.00
<u>15.55</u>	<u>15.38</u>	<u>15.52</u>	<u>15.45</u>
<u>152.90</u>	<u>151.34</u>	<u>156.54</u>	<u>157.29</u>
22.40	20.46	21.46	21.46
20.46	22.65	22.65	22.95
2.00	1.90	2.00	3.25
<u>44.86</u>	<u>45.01</u>	<u>46.11</u>	<u>47.66</u>
<u>197.76</u>	<u>196.35</u>	<u>202.65</u>	<u>204.95</u>

City of McMinnville, Oregon
Operating Indicators by Function/Program
Last Ten Fiscal Years

<u>Functions/Programs</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Primary government:				
Community development:				
Building division: (b)				
Building permits issued	463	332	-	-
Plumbing permits issued	261	247	-	-
Mechanical permits issued	188	180	-	-
Demolition permits issued	25	11	-	-
Fire life safety permits issued	22	40	-	-
Miscellaneous permits issued	57	48	-	-
Manufactured home permits issued	34	32	-	-
Total permits issued	<u>1,050</u>	<u>890</u>	<u>-</u>	<u>-</u>
Police:				
Calls for service (a) (f)	30,609	29,128	28,401	29,133
Crimes: (a)				
Part I Crimes Against Persons	1,006	1,143	1,093	1,302
Part II Crimes Against Property	2,452	2,846	2,975	2,784
Part III Behavioral Crimes	1,218	1,100	1,138	1,070
Total crimes	<u>4,676</u>	<u>5,089</u>	<u>5,206</u>	<u>5,156</u>
Traffic crashes	250	245	228	297
Traffic citations/warnings	12,636	11,569	9,559	7,090
Fire:				
Self fire inspections conducted	1,390	-	-	-
On-site fire inspections conducted	610	120	230	320
Fire responses	1,063	838	869	815
Fire/rescue responses	2,839	2,933	3,120	3,212
Level of insurance service	Class 3	Class 3	Class 3	Class 3
Parks and recreation:				
Aquatic center attendance:				
General recreation programs	60,586	71,575	71,877	79,998
Fitness classes	17,190	18,303	16,830	19,801
Swim instruction	15,274	15,227	14,790	14,381
School district #40 programs	9,504	8,593	8,759	5,949
Rental attendance	15,308	16,452	14,651	13,747
Total attendance	<u>117,862</u>	<u>130,150</u>	<u>126,907</u>	<u>133,876</u>

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
27,848	32,153	29,419	29,823	31,047	n/a
1,404	1,206	1,251	1,132	1,234	n/a
2,949	2,873	2,677	2,418	2,442	n/a
1,032	1,107	1,133	1,287	1,364	n/a
<u>5,385</u>	<u>5,186</u>	<u>5,061</u>	<u>4,837</u>	<u>5,040</u>	
265	276	235	334	284	n/a
5,754	10,581	8,522	8,003	8,838	n/a
-	-	-	-	-	-
375	450	512	562	484	n/a
800	923	650	786	856	866
3,303	2,823	2,912	2,932	2,996	n/a
Class 3	Class 3	Class 3	Class 3	Class 3	Class 3
84,094	70,629	70,500	73,729	84,301	85,715
19,852	19,487	18,586	18,229	19,989	25,790
15,318	15,312	16,016	16,862	16,523	15,333
6,179	5,323	4,953	6,454	6,177	7,263
13,857	24,245	24,730	18,789	14,794	12,608
<u>139,300</u>	<u>134,996</u>	<u>134,785</u>	<u>134,063</u>	<u>141,784</u>	<u>146,709</u>

(Continued)

City of McMinnville, Oregon
Operating Indicators by Function/Program
Last Ten Fiscal Years

Functions/Programs	2007	2008	2009	2010
Community center and recreation programs:				
Facility reservations	1,144	1,200	1,373	1,932
Children's programs (children per session):				
Kids on the block (after school) (c)	434	500	648	781
STARS (summer)	120	130	114	57
Recreational sports:				
Soccer:				
Participants	1,720	1,750	2,443	2,039
Teams	118	120	201	187
Matches	1,220	1,250	1,279	1,190
Baseball/softball:				
Participants	1,380	1,400	1,230	920
Teams	106	110	96	87
Games	720	740	643	590
Other sports:				
Participants	600	550	443	472
Games/matches	375	360	354	377
Senior center:				
Attendance (e)	10,000	9,750	16,950	17,800
Facility rentals	62	55	123	130
Senior meals served	27,388	27,000	22,890	22,000
Day trips taken	10	8	12	12
Day trip attendance	191	240	212	220
Overnight trips taken	9	2	5	8
Overnight trip attendance	93	100	77	120
Park maintenance:				
Picnic reservations (a)	129	130	135	116
Library:				
Items circulated	325,197	334,960	363,204	378,061
Items in collections / resources	83,446	93,398	104,059	112,461
Service hours per week	47	47	51	51

2011	2012	2013	2014	2015	2016
1,944	1,960	2,559	2,698	2,051	n/a
950	594	682	694	449	447
60	60	55	62	65	65
1,907	2,054	1,837	1,694	1,683	n/a
169	173	147	140	173	n/a
910	857	787	730	824	n/a
					n/a
1,188	1,067	1,162	1,042	1,120	n/a
105	89	91	83	93	n/a
588	577	600	506	535	n/a
560	486	492	554	598	598
394	378	331	346	357	357
16,838	27,782	29,001	27,779	27,610	28,558
208	327	269	194	203	212
19,500	19,250	24,574	27,997	19,920	23,164
24	16	19	19	15	18
276	163	207	265	221	249
9	16	11	12	6	8
70	50	69	37	34	18
145	160	155	154	160	160
381,814	382,344	352,211	351,672	359,093	384,347
117,016	192,766	136,629	87,995	142,904	152,121
51	51	45	45	45	45

(Continued)

City of McMinnville, Oregon
Operating Indicators by Function/Program
Last Ten Fiscal Years

Functions/Programs	2007	2008	2009	2010
Community development:				
Building division: (b)				
Building permits issued	-	-	222	207
Plumbing permits issued	-	-	224	269
Mechanical permits issued	-	-	241	266
Demolition permits issued	-	-	11	10
Fire life safety permits issued	-	-	41	21
Miscellaneous permits issued	-	-	48	41
Manufactured home permits issued	-	-	7	22
Total permits issued	<u>-</u>	<u>-</u>	<u>794</u>	<u>836</u>
Wastewater Services:				
Daily average treatment in gallons (d)	2,951,000	3,287,000	2,948,000	2,937,000
Service connections:				
Residential	12,431	11,319	11,398	11,319
General services/commercial	1,284	1,316	1,326	1,199
Ambulance:				
Emergency Medical Service (EMS) calls	4,330	4,806	5,185	5,480
EMS patients transported	3,193	3,528	4,163	4,001
Component unit:				
Water and light:				
Water system:				
Daily average consumption in gallons	4,900,000	5,000,000	5,000,000	4,200,000
Service connections:				
Residential	11,520	11,674	11,718	11,617
General services/commercial	1,500	1,562	1,573	1,424
Electric system:				
Type	public power	public power	public power	public power
Service connections:				
Residential	12,748	12,917	13,027	13,000
General services/small industrial	2,603	2,691	2,689	2,158
Large industrial	2	2	2	2

Source: City of McMinnville departments

(a) Calendar year (e)

(b) The Building Division was a governmental activity, included in Community Development, prior to fiscal year 2008-09. Beginning fiscal year 2008-09, the Building Division is a business-type activity. (f)

(c) A 21st Century grant obtained by the McMinnville School District enabled the KOB program to expand service in fiscal years 2009-10 and 2010-11. n/

(d) Dry weather flow, June through October. Fluctuations, as in fiscal year 2010-11, are due to storm water.

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
192	119	201	282	270	261
298	132	243	275	184	233
197	103	173	232	245	301
5	5	12	4	6	10
33	12	29	40	60	37
40	28	26	44	44	56
17	4	2	8	21	15
<u>782</u>	<u>403</u>	<u>686</u>	<u>885</u>	<u>830</u>	<u>913</u>
3,461,000	2,960,000	2,740,000	3,240,000	2,950,000	3,310,000
11,768	11,664	11,784	12,042	12,280	12,121
1,246	1,170	1,164	1,097	1,157	1,083
5,603	5,713	5,795	5,879	6,211	7,248
4,100	4,204	4,388	4,385	4,546	5,156
4,400,000	4,324,000	5,020,000	4,500,000	4,700,000	4,800,000
12,063	11,886	12,006	12,192	12,431	12,238
1,521	1,479	1,485	1,511	1,551	1,475
public power	public power	public power	public power	public power	public power
13,051	13,116	13,160	13,260	13,526	13,616
2,182	2,184	2,206	2,189	2,002	2,293
2	2	2	2	2	2

;) Senior Center established an attendance tracking system in fiscal year 2011-12. Previous years attendance is estimated.

) Beginning in 2011, calls for service data includes officer-initiated activity, in previous years the call for service data was the actual requests for police officer service from the community.

'a - not available

City of McMinnville, Oregon
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Functions/Programs	2007	2008	2009	2010
Primary government:				
General government:				
Computers - desktops and laptops	165	204	210	251
Computers - physical servers	18	20	21	33
Police:				
Station	1	1	1	1
Off-site evidence facility	1	1	1	1
Training facility	1	1	1	1
Patrol units	15	15	15	15
Command vehicle	1	1	1	1
Motorcycles	1	1	2	2
Fire:				
Stations	1	1	1	1
Training facility	1	1	1	1
Vehicles	18	18	16	16
Highways and streets:				
Miles of streets	102	103	103	103
Miles of storm drain sewers	74	75	75	75
Number of street lights	n/a	n/a	n/a	n/a
Parks and recreation:				
Aquatic center	1	1	1	1
Community center	1	1	1	1
Senior citizen center	1	1	1	1
Parks:				
Neighborhood parks (a)	1	2	2	2
Community parks	5	5	5	5
Linear park	2	2	2	2
Mini parks and play lots	7	7	7	7
Nature parks	2	2	2	2
Special use park (b)	-	-	-	1
Greenway/greenspaces	15	15	15	15
Park system acreage (a)	335	343	347	353
Tennis courts	4	4	4	4
Baseball/softball fields	10	11	11	11
Soccer fields	11	11	11	11
Outdoor basketball courts	7	7	7	7
Skate parks	2	2	2	2
Library:				
Facility	1	1	1	1
Bookmobile	1	1	1	1

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
264	264	267	285	280	285
21	14	17	17	17	12
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
15	16	14	14	15	15
1	2	2	2	2	2
2	2	2	2	2	2
1	1	2	2	2	2
1	1	1	1	1	1
16	16	16	16	16	16
103	103	103	103	104	104
75	75	76	76	77	77
2,677	2,684	2,684	2,679	2,679	2,679
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
3	3	3	3	3	3
5	5	5	5	5	5
2	2	2	2	2	2
7	7	7	7	7	7
2	2	2	2	2	2
1	1	1	1	1	1
15	15	15	15	15	15
353	353	353	353	357	357
4	4	4	4	4	4
11	11	11	11	11	11
11	11	11	11	11	11
8	8	8	8	8	8
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1

City of McMinnville, Oregon
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Functions/Programs	2007	2008	2009	2010
Primary government (continued):				
Airport:				
Runways	2	2	2	2
Runway 04/22: 150 ft x 5420 ft with 1,000 ft asphalt stopway				
Runway 17/35: 75 ft x 4394 ft				
Connecting taxiways	2	2	2	2
Automated weather station	1	1	1	1
Instrument landing system (ILS)	1	1	1	1
Precision approach path indicator (PAPI)	2	2	2	2
FAA automated flight service station	1	1	-	-
City owned hangars:				
Maintenance	2	2	2	2
Rental	27	27	27	27
Land leased hangars:				
Private	83	83	83	83
Corporate	2	2	2	2
Wastewater Services:				
Treatment plant	1	1	1	1
Maximum daily capacity of treatment plant in gallons	5,600,000	5,600,000	5,600,000	5,600,000
Miles of sanitary sewers	149	152	152	152
Ambulance:				
Vehicles	3	3	3	3
Component unit:				
Water and light:				
Water system:				
Maximum daily capacity of plant in gallons (c)	13,300,000	13,300,000	13,300,000	13,300,000
Watershed storage in billions of gallons	3.5	3.5	3.5	3.5
Miles of water mains	152	154	154	154
Fire hydrants	1,012	1,014	1,017	1,023
Electric system:				
Substations	7	7	7	8
Miles of distribution	315	318	318	318

Source: City of McMinnville departments

(a) In fiscal year 2007-08, West Hills Neighborhood park land was purchased. In fiscal year 2008-09 Northeast Neighborhood park land was aquired. In fiscal year 2009-10, land for an addition to a linear park was purchased and land was repurposed for a dog park. In fiscal year 2014-15, NW Neighborhood park land was purchased.

(Continued)

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
2	2	2	2	2	2
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
2	2	2	2	2	2
-	-	-	-	-	-
2	2	2	2	2	2
27	27	27	27	27	27
84	84	84	84	84	84
2	2	2	2	2	2
1	1	1	1	1	1
5,600,000	5,600,000	5,600,000	5,600,000	5,600,000	5,600,000
152	152	152	153	155	155
4	5	5	5	6	6
22,000,000	22,000,000	22,000,000	22,000,000	22,000,000	22,000,000
3.5	3.5	3.5	3.5	3.5	3.5
172	172	172	175	176	177
1,023	1,023	1,024	1,044	1,055	1,061
7	7	7	7	7	7
314	320	323	325	326	329



COMPLIANCE SECTION

- Independent Auditor's Report Required by Oregon State Regulations



**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON STATE REGULATION**

We have audited the basic financial statements of the City of McMinnville, Oregon, as of and for the year ended June 30, 2016 and have issued our report thereon dated January 30, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit the financial statements of the McMinnville Water & Light (the Department), a discretely presented component unit of the City. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Department, is based solely on the report of other auditors.

Compliance

As part of obtaining reasonable assurance about whether the City of McMinnville, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds. (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- Accountability for collecting or receiving money by elected officials. The City does not have any elected officials collecting or receiving money.

In connection with our testing, nothing came to our attention that caused us to believe the City of McMinnville, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

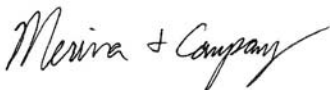
OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the City of McMinnville, Oregon's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of McMinnville, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of McMinnville, Oregon's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report is intended solely for the information and use of the Honorable Mayor, City Council, Oregon Secretary of State Audits Division, and management, and is not intended to be and should not be used by anyone other than these specified parties.



Merina & Company, LLP
West Linn, Oregon
January 30, 2017